

***FREMONT CITY SCHOOL DISTRICT***  
***SANDUSKY COUNTY***

**Audit Report**

**For the Year Ended June 30, 2006**

***CHARLES E. HARRIS & ASSOCIATES, INC.***  
Certified Public Accountants and Government Consultants





# Mary Taylor, CPA

Auditor of State

Board of Education  
Fremont City School District  
1220 Cedar Street, Suite A  
Fremont, Ohio 43420

We have reviewed the *Report of Independent Accountants* of the Fremont City School District, Sandusky County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Fremont City School District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

April 4, 2007

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**FREMONT CITY SCHOOL DISTRICT  
SANDUSKY COUNTY  
AUDIT REPORT  
For the Year Ending June 30, 2006**

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**Charles E. Harris & Associates, Inc.**  
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**REPORT OF INDEPENDENT ACCOUNTANTS**

Fremont City School District  
Sandusky County  
1220 Cedar Street  
Suite A  
Fremont, Ohio 43420

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Fremont City School District, Sandusky County, Ohio, (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as described below, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Because of inadequacy of accounting records, we were unable to obtain sufficient evidence regarding the amounts at which land and other capital assets, net of depreciation are recorded in the governmental activities in the accompanying statement of net assets at June 30, 2006 (stated at \$409,270 and \$11,144,394 respectively), and the amount of accumulated depreciation and depreciation expense recorded in the governmental activities for the year then ended (stated at \$10,002,417 and \$604,228, respectively). Due to our inability to obtain assurance on the amounts recorded as capital assets, we are also unable to obtain assurance as to the amounts recorded as invested in capital assets, net of related debt for the governmental activities (stated at \$11,015,166). We were unable to satisfy ourselves regarding land and other capital assets, net of depreciation, accumulated depreciation, depreciation expense, and invested in capital assets, net of related debt amounts by other auditing procedures.

In our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had we been able to satisfy ourselves about land and other capital assets, net of depreciation, accumulated depreciation, depreciation expense, and invested in capital assets, net of related debt, for governmental activities, as described in the previous paragraph, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Fremont City School District, Sandusky County, Ohio, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 9 is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2006 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fremont City School District's basic financial statements. The accompanying schedule of federal awards expenditures is presented for the purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information as been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

***Charles E. Harris & Associates, Inc.***

December 13, 2006

**Fremont City School District  
Sandusky County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
Unaudited*

The discussion and analysis of Fremont City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

**Highlights**

Highlights for fiscal year 2006 are as follows:

- In total, net assets increased \$401,606, or 3.5 percent. This increase is due mainly from the large increase in net assets of the internal service fund. This increase was \$755,285.
- General revenues represented 82.8 percent of all revenues for fiscal year 2006. The dependence on general revenues was slightly less than that of the prior fiscal year; however, the dependence on income and property taxes as well as unrestricted state entitlements continues to be significant.
- The School District remains in fiscal caution as declared in April of 2003. Fiscal caution is further explained in Note 23 of the financial statements.
- The School District purchased five new buses for \$249,091 during the fiscal year.
- The School District's capital assets records are being considered for a complete update. The records vary significantly from the amount being reported in the financial statements. For this fiscal year, the auditors have modified their opinion to reflect their concerns with these records and their impact on the financial statements.

**Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand Fremont City School District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other non-major funds presented in total in a single column. For Fremont City School District, the general fund and the permanent improvement capital projects fund are the most significant funds.

**Fremont City School District  
Sandusky County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
Unaudited*

**Reporting the School District as a Whole**

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2006. These statements include all assets and liabilities using the accrual basis of accounting similar to that, which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the School District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, all of the School District's activities are presented as governmental activities. All of the School District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities.

**Reporting the School District's Most Significant Funds**

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major funds are the general fund and the permanent improvement fund.

**Governmental Funds** - Most of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of the funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

**Proprietary Funds** - Proprietary funds have historically operated as enterprise and internal service funds using the same basis of accounting as business-type activities. The internal service fund accounts for self-insurance for health insurance coverage and is reported separately as the School District's only proprietary fund.

**Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

**Fremont City School District  
Sandusky County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
Unaudited*

**The School District as a Whole**

Table 1 provides a summary of the School District's net assets for fiscal year 2006 compared to fiscal year 2005. The balances for 2005 were restated to reflect the previously omitted income tax receivable.

Table 1  
Net Assets

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
<b>Assets:</b>		
Current and Other Assets	\$ 18,674,230	\$ 20,225,782
Capital Assets, Net	<u>11,553,664</u>	<u>11,725,249</u>
<i>Total Assets, Net</i>	<u><u>30,227,894</u></u>	<u><u>31,951,031</u></u>
<b>Liabilities:</b>		
Current and Other Liabilities	14,506,785	16,338,615
Long-Term Liabilities	<u>3,914,782</u>	<u>4,207,695</u>
<i>Total Liabilities</i>	<u><u>18,421,567</u></u>	<u><u>20,546,310</u></u>
<b>Net Assets:</b>		
Invested in Capital Assets,		
Net of Related Debt	11,015,166	10,123,555
Restricted	2,199,481	2,291,661
Unrestricted (Deficit)	<u>(1,408,320)</u>	<u>(1,010,495)</u>
<i>Total Net Assets</i>	<u><u>\$ 11,806,327</u></u>	<u><u>\$ 11,404,721</u></u>

Total assets decreased by \$1,723,137, or 5.4 percent from the prior fiscal year. The amount reported for taxes receivable decreased due to the phase-out of taxes on tangible property.

In comparison to 2005, current and other liabilities decreased 11.2 percent. The reduction was primarily due to a decrease in deferred revenue which would be an off-set to the receivable mentioned above. In addition, there was a principal payment on the notes payable in the amount \$220,000 and a reduction in compensated absences.

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the School District's assets exceeded liabilities by \$11,806,327. Net assets, in total, increased by \$401,606 but this increase was mainly from the increase in the internal service fund's net assets and the invested in capital assets, net of related debt portion of net assets.

**Fremont City School District  
Sandusky County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
Unaudited*

Table 2 reflects the changes in net assets for fiscal year 2006 and 2005.

**Table 2  
Change in Net Assets**

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
<b>Revenues:</b>		
Program Revenues:		
Charges for Services	\$ 1,436,213	\$ 1,407,997
Operating Grants, Contributions, and Interest	5,453,236	3,370,059
Capital Grants and Contributions	14,610	280,473
General Revenues:		
Taxes	19,143,871	21,547,461
Grants and Entitlements	13,519,751	13,747,001
Payment in Lieu of Taxes	241,928	676,000
Interest	194,813	69,193
Miscellaneous	114,979	259,242
Gain on Sale of Capital Assets	-	3,900
<i>Total Revenues</i>	<u>40,119,401</u>	<u>41,361,326</u>
 <b>Expenses:</b>		
Instruction:		
Regular	16,193,958	14,702,616
Special	6,142,745	5,696,868
Vocational	167,516	167,005
Other	1,166,261	1,306,671
Support Services:		
Pupils	2,294,155	2,118,293
Instructional Staff	1,635,381	1,738,466
Board of Education	39,924	73,235
Administration	2,460,631	2,623,166
Fiscal	1,375,106	1,024,469
Business	110,574	106,083
Operation of Maintenance of Plant	3,963,840	2,938,543
Pupil Transportation	1,575,474	1,768,413
Central	81,739	55,884
Non-Instructional Services	1,709,960	1,728,822
Extracurricular Services	726,985	705,472
Interest and Fiscal Charges	<u>73,546</u>	<u>114,587</u>
<i>Total Expenses</i>	<u>39,717,795</u>	<u>36,868,593</u>
<i>Increase (Decrease) in Net Assets</i>	<u>\$ 401,606</u>	<u>\$ 4,492,733</u>

**Fremont City School District  
Sandusky County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
Unaudited*

**Change in Net Assets**

Governmental Activities - The School District has carefully planned its financial existence by forecasting its revenues and expenses over the next five years. The School District's revenue growth is mostly dependent upon property tax increases. Property taxes made up 31.1 percent of revenues for governmental activities for the School District in fiscal year 2006. Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating cost.

The School District has an income tax which is also a critical revenue used to support operations. For 2006, this revenue amounted to 16.6 percent of total revenues.

Program revenues represented 17.2 percent of total revenues for fiscal year 2006. Program revenues generally represent tuition and fees, charges for extracurricular activities, and food service sales.

As stated previously, general revenues were 82.8 percent of total revenues for fiscal year 2006 and while general revenues were less than the previous fiscal year, dependence on tax resources and unrestricted grants and entitlements, primarily State foundation resources, will continue to be the primary support for School District operations.

In general, program expenses were comparable to the prior fiscal year. Program expenses for 2006 increased 7.7 percent over 2005. The increases were not attributed to any specific program but an overall increase in expenses.

The major program expenses for governmental activities are for instruction, which in 2006, accounted for 59.6 percent of all governmental expenses. Other programs which support the instruction process, including pupils support, instructional staff, and pupil transportation account for 13.9 percent of governmental expenses. Maintenance of the School District's facilities also represents a significant expense, of 10 percent.

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

**Fremont City School District  
Sandusky County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
Unaudited*

**Table 3  
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Instruction:				
Regular	\$ 16,193,958	\$ 14,702,616	\$ (14,509,755)	\$ (13,109,191)
Special	6,142,745	5,696,868	(3,404,237)	(3,631,972)
Vocational	167,516	167,005	(167,516)	(167,005)
Other	1,166,261	1,306,671	(1,166,261)	(1,306,671)
Support Services:				
Pupils	2,294,155	2,118,293	(2,222,205)	(2,091,293)
Instructional Staff	1,635,381	1,738,466	(1,465,847)	(1,738,466)
Board of Education	39,924	73,235	(39,924)	(73,235)
Administration	2,460,631	2,623,166	(2,455,888)	(2,623,166)
Fiscal	1,375,106	1,024,469	(1,375,106)	(1,024,469)
Business	110,574	106,083	(110,574)	(106,083)
Operation and Maintenance of Plant	3,963,840	2,938,543	(3,950,529)	(2,938,543)
Pupil Transportation	1,575,474	1,768,413	(1,560,864)	(1,768,413)
Central	81,739	55,884	(67,622)	(55,884)
Non-Instructional Services	1,709,960	1,728,822	249,959	(592,166)
Extracurricular Services	726,985	705,472	(493,821)	(468,920)
Interest and Fiscal Charges	73,546	114,587	(73,546)	(114,587)
<i>Total Expenses</i>	<u>\$ 39,717,795</u>	<u>\$ 36,868,593</u>	<u>\$ (32,813,736)</u>	<u>\$ (31,810,064)</u>

As noted earlier, the program costs for fiscal year 2006 are comparable to the prior fiscal year with a 7.7 percent increase but the amount of program revenues provided to off-set these expenses has increased 36.5 percent. This increase in program revenue results in only a 3.2 percent increase in net cost of service.

The non-instructional services program received a significant amount of program revenue. The amount of program revenue exceeded the program expenses. These revenues consist of cafeteria sales and state and federal subsidies for cafeteria operations as well as State monies received by the School District on behalf of the four parochial schools within the School District's boundaries.

### **The School District's Funds**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The School District's major funds are the general fund where revenues fell short of expenditures for the fiscal year, and the permanent improvement capital projects fund which accounts for all transaction related to acquiring, constructing, or improving permanent improvements. The permanent improvement fund's revenues fell short of expenditures reducing fund balance by 27.4 percent. Although both major funds' balances decreased they both ended the year with positive fund balances.

**Fremont City School District  
Sandusky County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
Unaudited*

**General Fund Budgeting Highlights**

The School District's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

A review of the general fund's budgetary activity reveals original to final budget revenues remained constant while actual revenues were slightly higher. Final budgeted expenses increased less than 1 percent over original budgeted expenditures. Overall, the original and final budgeted amounts for revenues and expenditures were adjusted by insignificant amounts during the fiscal year.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2006, the School District had \$11,553,664 invested in capital assets (net of accumulated depreciation), a decrease of \$171,585, or a little over 1.5 percent. Due to limited resources, additions to capital assets were very restricted again in fiscal year 2006. The School District found it necessary to purchase five new buses. For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

**Debt**

The School District's outstanding debt at June 30, 2006, consisted of tax anticipation notes, in the amount of \$660,000 and general obligation bonds, in the amount of \$515,000. The School District's long-term obligations also include compensated absences and capital leases. For further information regarding the School District's long-term obligations, refer to Note 17 to the basic financial statements.

**Current Issues**

The School District had projected a deficit cash position for fiscal year 2003 on the five-year forecast submitted to the Department of Education. As a result, the School District was placed in Fiscal Caution on April 10, 2003. As part of the School District's recovery plan, the Board of Education placed an additional five-year, .5 percent income tax levy on the ballot in May 2003. The revenue to be generated from this addition is \$2,380,000 annually. The levy was successful and brought the full income tax rate for the School District to 1.25 percent. Collections on the new tax began in April 2004.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Cheryl C. Burkin, Treasurer, Fremont City School District, 1220 Cedar Street, Suite A, Fremont, Ohio 43420-1156.

## Fremont City School District

### *Statement of Net Assets*

*June 30, 2006*

	Governmental Activities
<b>Assets:</b>	
Equity in pooled cash and cash equivalents	\$ 3,049,207
Cash and cash equivalents:	
In segregated accounts	58,000
Inventory held for resale	10,534
Materials and supplies inventory	118,484
Receivables:	
Accounts	67,808
Intergovernmental	420,534
Accrued interest	1,328
Taxes	14,843,575
Prepaid items	104,760
Capital assets:	
Land	409,270
Depreciable capital assets, net	<u>11,144,394</u>
Total capital assets	<u>11,553,664</u>
Total assets	<u>30,227,894</u>
<b>Liabilities:</b>	
Accounts payable	243,903
Accrued wages	2,372,142
Intergovernmental payable	1,423,993
Accrued interest payable	15,192
Claims payable	486,791
Deferred revenue	9,304,764
Notes payable	660,000
Long-term liabilities:	
Due within one year	316,395
Due in more than one year	<u>3,598,387</u>
Total liabilities	<u>18,421,567</u>
<b>Net assets:</b>	
Invested in capital assets, net of related debt	11,015,166
Restricted for:	
Capital projects	1,085,425
Other purposes	1,114,056
Unrestricted	<u>(1,408,320)</u>
Total net assets	<u>\$ 11,806,327</u>

See accompanying notes to the basic financial statements.

**Fremont City School District**  
*Statement of Activities*  
*For the Fiscal Year Ended June 30, 2006*

	Program Revenues				Net (Expense) Revenues and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	
<b>Governmental Activities:</b>						
Instruction:						
Regular	\$ 16,193,958	\$ 513,919	\$ 1,170,284	\$ -	\$ (14,509,755)	
Special	6,142,745	-	2,738,508	-	(3,404,237)	
Vocational	167,516	-	-	-	(167,516)	
Other	1,166,261	-	-	-	(1,166,261)	
Support services:						
Pupils	2,294,155	39,150	32,800	-	(2,222,205)	
Instructional staff	1,635,381	31,464	138,070	-	(1,465,847)	
Board of education	39,924	-	-	-	(39,924)	
Administration	2,460,631	1,406	3,337	-	(2,455,888)	
Fiscal	1,375,106	-	-	-	(1,375,106)	
Business	110,574	-	-	-	(110,574)	
Operation and maintenance of plant	3,963,840	13,311	-	-	(3,950,529)	
Pupil transportation	1,575,474	-	-	14,610	(1,560,864)	
Central	81,739	-	14,117	-	(67,622)	
Operation of non-instructional services	1,709,960	603,799	1,356,120	-	249,959	
Extracurricular activities	726,985	233,164	-	-	(493,821)	
Interest and fiscal charges	73,546	-	-	-	(73,546)	
Total governmental activities	<u>\$ 39,717,795</u>	<u>\$ 1,436,213</u>	<u>\$ 5,453,236</u>	<u>\$ 14,610</u>	<u>(32,813,736)</u>	

**General Revenues:**

Property taxes levied for:	
General purposes	11,725,628
Capital outlay	757,426
Income taxes levied for:	
General purposes	6,660,817
Grants and entitlements not restricted to specific programs	13,519,751
Payment in lieu of taxes	241,928
Investment earnings	194,813
Miscellaneous	114,979
Total general revenues	<u>33,215,342</u>
Change in net assets	401,606
Net assets beginning of year, as restated (Note 2)	<u>11,404,721</u>
Net assets end of year	<u>\$ 11,806,327</u>

See accompanying notes to the basic financial statements.

# Fremont City School District

*Balance Sheet  
Governmental Funds  
June 30, 2006*

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in pooled cash and cash equivalents	\$ 417,597	\$ 853,871	\$ 1,107,519	\$ 2,378,987
Cash and cash equivalents:				
In segregated accounts	-	-	58,000	58,000
Inventory held for resale	-	-	10,534	10,534
Materials and supplies inventory	115,669	-	2,815	118,484
Receivables:				
Accounts	67,508	-	300	67,808
Intergovernmental	-	-	420,534	420,534
Accrued interest	-	-	1,328	1,328
Interfund	20,000	-	-	20,000
Taxes	13,937,125	906,450	-	14,843,575
Prepaid items	104,760	-	-	104,760
Total assets	<u>\$ 14,662,659</u>	<u>\$ 1,760,321</u>	<u>\$ 1,601,030</u>	<u>\$ 18,024,010</u>
<b>Liabilities:</b>				
Accounts payable	\$ 220,630	\$ 2,110	\$ 21,163	\$ 243,903
Accrued wages	2,238,488	-	133,654	2,372,142
Interfund payable	-	-	20,000	20,000
Intergovernmental payable	1,343,435	-	80,558	1,423,993
Deferred revenue	9,466,959	733,427	54,482	10,254,868
Accrued interest payable	12,660	-	-	12,660
Notes payable	660,000	-	-	660,000
Total liabilities	<u>13,942,172</u>	<u>735,537</u>	<u>309,857</u>	<u>14,987,566</u>
<b>Fund balances:</b>				
Reserved for encumbrances	58,167	159,707	397,912	615,786
Reserved for property taxes	2,218,259	173,023	-	2,391,282
Unreserved,				
Undesignated, reported in:				
General fund	(1,555,939)	-	-	(1,555,939)
Special revenue funds	-	-	893,261	893,261
Debt service fund	-	-	-	-
Capital projects funds	-	692,054	-	692,054
Total fund balances	<u>720,487</u>	<u>1,024,784</u>	<u>1,291,173</u>	<u>3,036,444</u>
Total liabilities and fund balances	<u>\$ 14,662,659</u>	<u>\$ 1,760,321</u>	<u>\$ 1,601,030</u>	<u>\$ 18,024,010</u>

See accompanying notes to the basic financial statements.

**Fremont City School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities*  
*June 30, 2006*

<b>Total governmental fund balances</b>	\$ 3,036,444
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	11,553,664
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Property taxes	838,093
Intergovernmental	54,482
Charges for services	55,439
Miscellaneous	2,090
	950,104
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(2,532)
Long-term liabilities, including general obligation bonds, compensated absences and capital leases payable, are not due and payable in the current period and therefore are not reported in the funds:	
General obligation bonds	\$ (515,000)
Compensated absences	(3,376,284)
Capital leases	(23,498)
Total	(3,914,782)
An internal service fund is used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets.	183,429
Net assets of governmental activities	\$ 11,806,327

See accompanying notes to the basic financial statements.

**Fremont City School District**  
*Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 Governmental Funds*

*For the Fiscal Year Ended June 30, 2006*

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property taxes	\$ 11,500,506	\$ 738,358	\$ -	\$ 12,238,864
Income tax	6,660,817	-	-	6,660,817
Intergovernmental	13,448,672	85,676	5,310,832	18,845,180
Interest	194,813	-	3,380	198,193
Tuition and fees	447,752	-	8,996	456,748
Extracurricular activities	500	-	264,755	265,255
Gifts and donations	3,122	-	7,107	10,229
Charges for services	-	-	601,647	601,647
Rent	13,311	-	-	13,311
Payment in lieu of taxes	-	-	241,928	241,928
Miscellaneous	109,768	-	43,822	153,590
Total revenues	<u>32,379,261</u>	<u>824,034</u>	<u>6,482,467</u>	<u>39,685,762</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	15,234,174	50,504	909,992	16,194,670
Special	4,246,199	-	1,788,738	6,034,937
Vocational	169,067	-	-	169,067
Other	1,166,261	-	-	1,166,261
Support services:				
Pupils	1,828,243	207,110	242,402	2,277,755
Instructional staff	1,194,967	-	477,091	1,672,058
Board of education	39,924	-	-	39,924
Administration	2,581,518	-	120,472	2,701,990
Fiscal	1,338,505	24,896	26,960	1,390,361
Business	116,103	-	-	116,103
Operation and maintenance of plant	3,195,013	595,252	67,576	3,857,841
Pupil transportation	1,411,257	5,569	59,990	1,476,816
Central	67,048	-	11,414	78,462
Operation of non-instructional services	8,991	51,621	1,852,687	1,913,299
Extracurricular activities	452,947	-	235,057	688,004
Capital outlay	127,330	276,408	28,905	432,643
Debt service:				
Principal retirement	68,196	-	115,000	183,196
Interest and fiscal charges	59,004	-	15,648	74,652
Total expenditures	<u>33,304,747</u>	<u>1,211,360</u>	<u>5,951,932</u>	<u>40,468,039</u>
Excess of revenues over (under) expenditures	<u>(925,486)</u>	<u>(387,326)</u>	<u>530,535</u>	<u>(782,277)</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	148,688	148,688
Transfers out	(148,688)	-	-	(148,688)
Total other financing sources (uses)	<u>(148,688)</u>	<u>-</u>	<u>148,688</u>	<u>-</u>
Net change in fund balances	(1,074,174)	(387,326)	679,223	(782,277)
Fund balances at beginning of year, as restated (Note 2)	1,794,661	1,412,110	611,950	3,818,721
Fund balances at end of year	<u>\$ 720,487</u>	<u>\$ 1,024,784</u>	<u>\$ 1,291,173</u>	<u>\$ 3,036,444</u>

See accompanying notes to the basic financial statements.

**Fremont City School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
 in Fund Balances of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2006*

**Net change in fund balances - total governmental funds** \$ (782,277)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.

In the current period, these amounts are:

Capital asset additions	\$ 432,643
Depreciation expense	(604,228)
Excess of capital outlay over depreciation expense	(171,585)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These activities consist of:

Property taxes	\$ 244,189
Intergovernmental	4,446
Charges for services	55,439
Miscellaneous	2,090
Net change in deferred revenues during the year	306,164

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

115,000

Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets

68,196

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in compensated absences	\$ 109,717
Decrease in accrued interest	1,106
Total additional expenditures	110,823

The internal service fund is used by management to charge the costs of medical, prescription drug, dental and vision claims to individual funds. The net revenue (expense) of the internal service fund is allocated among the governmental activities.

755,285

Change in net assets of governmental activities

\$ 401,606

See accompanying notes to the basic financial statements.

**Fremont City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balance -  
 Budget and Actual - General Fund  
 For the Fiscal Year Ended June 30, 2006*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Property taxes	\$ 12,155,500	\$ 12,155,500	\$ 12,533,225	\$ 377,725
Income tax	6,370,475	6,370,475	6,808,655	438,180
Intergovernmental	13,451,834	13,597,996	13,448,672	(149,324)
Interest	73,000	73,000	194,813	121,813
Tuition and fees	403,763	403,763	472,182	68,419
Rent	19,600	19,600	12,968	(6,632)
Extracurricular activities	1,763	1,763	493	(1,270)
Gifts and donations	676,000	676,000	3,122	(672,878)
Miscellaneous	92,051	92,051	65,295	(26,756)
Total revenues	33,243,986	33,390,148	33,539,425	149,277
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	17,368,049	15,811,851	15,773,054	38,797
Special	3,605,185	4,109,777	4,109,779	(2)
Vocational	313,846	166,357	166,358	(1)
Other	925,000	1,166,261	1,166,261	-
Support services:				
Pupils	1,824,033	1,828,719	1,828,699	20
Instructional staff	1,165,570	1,218,990	1,218,988	2
Board of education	36,925	48,199	48,199	-
Administration	2,382,557	2,622,071	2,622,070	1
Fiscal	1,285,644	1,286,677	1,286,676	1
Business	94,142	101,445	101,445	-
Operation and maintenance of plant	2,638,608	3,005,455	3,004,636	819
Pupil transportation	1,525,008	1,590,311	1,589,525	786
Central	54,397	58,646	58,647	(1)
Operation of non-instructional services	4,631	7,877	7,877	-
Extracurricular activities	196,586	461,339	460,331	1,008
Total expenditures	33,420,181	33,483,975	33,442,545	41,430
Excess of revenues over (under) expenditures	(176,195)	(93,827)	96,880	190,707
<b>Other financing sources (uses):</b>				
Proceeds from sale of capital assets	7,000	7,000	-	(7,000)
Refund of prior year expenditures	6,531	6,531	29,484	22,953
Advances in	11,014	11,014	11,014	-
Advances out	(20,000)	(20,000)	(20,000)	-
Transfers in	5,251	5,251	59,865	54,614
Transfers out	(411,990)	(411,983)	(411,984)	(1)
Total other financing sources (uses)	(402,194)	(402,187)	(331,621)	70,566
Net change in fund balance	(578,389)	(496,014)	(234,741)	261,273
Fund balance at beginning of year	476,934	476,934	476,934	-
Prior year encumbrances appropriated	111,110	111,110	111,110	-
Fund balance at end of year	\$ 9,655	\$ 92,030	\$ 353,303	\$ 261,273

See accompanying notes to the basic financial statements.

## **Fremont City School District**

### *Statement of Fund Net Assets*

#### *Internal Service Fund*

*June 30, 2006*

	Self Insurance
<b>Assets:</b>	
Equity in pooled cash and cash equivalents	<u>\$ 670,220</u>
<b>Liabilities:</b>	
Claims payable	<u>486,791</u>
<b>Net assets:</b>	
Unrestricted	<u>183,429</u>
Total liabilities and net assets	<u><u>\$ 670,220</u></u>

See accompanying notes to the basic financial statements.

**Fremont City School District**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Internal Service Fund*  
*For the Fiscal Year Ended June 30, 2006*

	Self Insurance
<b>Operating revenues:</b>	
Charges for services	\$ 4,719,136
Other revenues	7,273
Total operating revenues	<u>4,726,409</u>
<b>Operating expenses:</b>	
Salaries	3,500
Fringe benefits	555
Purchased services	737,575
Claims	3,349,808
Other	7,161
Total operating expenses	<u>4,098,599</u>
Operating income	627,810
<b>Non-operating revenues</b>	
Intergovernmental	<u>127,475</u>
Change in net assets	755,285
Net assets beginning of year	(571,856)
Net assets end of year	<u>\$ 183,429</u>

See accompanying notes to the basic financial statements.

**Fremont City School District**  
*Statement of Cash Flows*  
*Internal Service Fund*  
*For the Fiscal Year Ended June 30, 2006*

	Self Insurance
<b>Cash flows from operating activities:</b>	
Cash received from other operating sources	\$ 7,273
Cash received for charges for services	4,719,136
Cash payments to suppliers for goods and services	(750,854)
Cash payments for claims	(3,832,858)
Net cash provided by operating activities	<u>142,697</u>
<b>Cash flows from noncapital financing activities:</b>	
Operating grants	<u>127,475</u>
Net cash provided by noncapital financing activities	<u>127,475</u>
Net increase in cash and cash equivalents	270,172
Cash and cash equivalents at beginning of year	400,048
Cash and cash equivalents at end of year	<u>\$ 670,220</u>
<b>Reconciliation of operating income to net cash used for operating activities:</b>	
Operating income	<u>\$ 627,810</u>
Adjustments to reconcile operating income to net cash used for operating activities:	
Change in assets and liabilities:	
Increase (decrease) in liabilities:	
Accounts payable	(100)
Intergovernmental payable	(1,963)
Claims payable	(483,050)
Net cash provided by operating activities	<u>\$ 142,697</u>

See accompanying notes to the basic financial statements.

# Fremont City School District

## *Statement of Fiduciary Net Assets*

*Fiduciary Funds*

*June 30, 2006*

	Private Purpose Trusts	Agency
	Endowment	Agency
<b>Assets:</b>		
Equity in pooled cash and cash equivalents	\$ 8,108	\$ 88,414
Cash and cash equivalents in segregated accounts	91,999	
Receivables:		
Accounts	-	22
Accrued interest	2,433	-
Total assets	<u><u>102,540</u></u>	<u><u>\$ 88,436</u></u>
<b>Liabilities:</b>		
Accounts payable	\$ -	\$ 2,575
Due to students	- 85,861	
Total liabilities	<u><u>-</u></u>	<u><u>\$ 88,436</u></u>
<b>Net assets:</b>		
Held in trust for scholarships	52,373	
Endowments	50,167	
Total net assets	<u><u>\$ 102,540</u></u>	

See accompanying notes to the basic financial statements.

**Fremont City School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2006*

	Private Purpose Trust
	Endowment
<b>Additions:</b>	
Interest	\$ 5,145
Gift and donations	5,200
Miscellaneous	5,733
Total additions	<u>16,078</u>
<b>Deductions:</b>	
Payments in accordance with trust agreements	<u>2,225</u>
Change in net assets	13,853
Net assets beginning of year	<u>88,687</u>
Net assets end of year	<u>\$ 102,540</u>

See accompanying notes to the basic financial statements.

**Fremont City School District  
Sandusky County**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND  
DESCRIPTION OF THE SCHOOL DISTRICT**

Fremont City School District (the School District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state and federal guidelines.

The School District was established in 1968 through the consolidation of existing land areas and school districts. The School District serves an area of approximately one hundred sixty-two square miles. It is located in central Sandusky County, including all of the City of Fremont and portions of surrounding townships. It is staffed by 193 classified employees, 290 certified teaching personnel, including twenty-two administrative employees who provide services to 4,621 students and other community members. The School District currently operates seven elementary schools, a middle school, and a comprehensive high school.

**Reporting Entity**

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Fremont City School District, this includes general operations, food service, preschool, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the Fremont City School District.

The following activity is included within the School District's reporting entity:

Parochial Schools -Within the School District boundaries, St. Ann, St. Joseph Elementary, and St. Joseph High School are operated through the Toledo Catholic Diocese; Sacred Heart is operated as a private school. Current state legislation provides funding to these parochial schools. The monies are received and disbursed on behalf of the parochial schools by the Treasurer of the School District, as directed by the parochial schools. This activity is reflected in a special revenue fund for financial reporting purposes by the School District.

**Fremont City School District  
Sandusky County**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

The School District participates in five jointly governed organizations and an insurance pool. These organizations are the Northern Ohio Educational Computer Association, the Northwestern Ohio Educational Research Council, Inc., the Vanguard-Sentinel Career Center, the Northwest Ohio Special Education Regional Resource Center, the Northwest Ohio Regional Professional Development Center, and the Ohio School Plan. These organizations are presented in Notes 21 and 22 to the basic financial statements.

The basic financial statements of Fremont City School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants, contributions, and interest that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

**Fund Financial Statements**

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column.

**Fremont City School District  
Sandusky County**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the proprietary fund financial statements. Fiduciary funds are reported by type.

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are reported in three categories: governmental, proprietary, and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The School District has two major governmental funds:

General Fund - The general fund is used to account for all financial resources, except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Permanent Improvement Fund – This fund accounts for all transaction related to acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5705.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The School District reports one type of proprietary fund:

Internal Service Fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's Self Insurance internal service fund accounts for the activities of the program for employee health care benefits.

**Fremont City School District  
Sandusky County**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

**Fiduciary Funds**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's private purpose trust funds account for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for various staff-managed and student-managed activities.

**C. Measurement Focus**

**Government-Wide Financial Statements**

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

**Fund Financial Statements**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the proprietary fund is accounted for using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of this fund are included on the statement of fund net assets. The statement of revenues, expenses, and changes in fund net assets presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The statement of cash flows reflects how the School District finances and meets the cash flow needs of its proprietary fund.

The private purpose trust funds are accounted for using a flow of economic resources measurement focus.

**Fremont City School District  
Sandusky County**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the proprietary fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**Revenues - Exchange and Nonexchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the fiscal year in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, interest, tuition, student fees, charges for services, and rent.

**Deferred Revenues**

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there was an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

**Fremont City School District  
Sandusky County**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

On the governmental fund financial statements, receivables that will not be collected within the available period are reported as deferred revenue.

**Expenses/Expenditures**

On the accrual basis, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**E. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are a report of estimated tax revenues, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The report of estimated tax revenues identifies the estimated revenues for those funds receiving tax monies as well as various debt and other schedules. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control selected by the Board is at the fund level for all funds. Any budgetary modifications at this level may only be made by the Board of Education. Budgetary allocations at the function and object level within all funds are made by the School District Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

The School District receives certain operating resources which are received by the Sandusky County Educational Service Center and are expended by the Educational Service Center on the School District's behalf as directed by the School District. Budgetary information for these resources is not included within the School District's reporting entity for which the "appropriated budget" is adopted.

**Fremont City School District  
Sandusky County**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

**F. Cash and Investments**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 2006, deposits were held in checking and savings accounts as well as nonnegotiable certificates of deposit, which are reported at cost.

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

**H. Inventory**

Inventory is presented at the lower of cost or market on a first-in, first-out basis and is expended/expensed when used. Inventory consists of administrative supplies, custodial supplies, and donated and purchased food.

**I. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets in the general fund include amounts required by State statute to be set aside to create a reserve for textbooks. As of the end of fiscal year 2006, the School District expended the required set-aside amounts and therefore does not report restricted cash on the balance sheet and statement of net assets. Unclaimed monies that must be held for five years before being spent are also reported as restricted.

**J. Capital Assets**

All of the School District's capital assets are general capital assets. These assets generally result from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements.

**Fremont City School District  
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Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of ten thousand dollars. The School District does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Useful Lives
Buildings and Building Improvements	5-75 years
Furniture, Fixtures, and Equipment	3-25 years
Vehicles	4-15 years

**K. Interfund Assets/Liabilities**

On the fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables". Interfund balances within governmental activities are eliminated on the statement of net assets.

**L. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after ten years of service with the School District.

The entire compensated absences liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid.

**Fremont City School District  
Sandusky County**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

**M. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the proprietary fund are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. Notes payable related to tax anticipation are reported on the fund financial statements and the statement of net assets. Bonds are recognized as a liability on the fund financial statements when due.

**N. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specified purposes.

The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**O. Fund Balance Reserves**

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. Fund balance reserves have been established for property taxes and encumbrances.

**P. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services in the internal service fund. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the proprietary fund. All revenues and expenses not meeting this definition are reported as nonoperating.

**Fremont City School District  
Sandusky County**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

**Q. Interfund Transactions**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in the proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**R. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE 2 - RESTATEMENT OF PRIOR YEAR FUND BALANCES AND NET ASSETS**

Following the close of the previous fiscal year, an error was identified. The School District did not report a receivable for income tax. A receivable for income tax of \$2,457,274 should have been reported in the general fund and on the statement of net assets. The omission of this receivable requires a restatement of fund balance and net assets as displayed below:

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Fund balances at June 30, 2005	\$ (662,613)	\$ 1,412,110	\$ 611,950	\$ 1,361,447
Income tax receivable	<u>2,457,274</u>	<u>-</u>	<u>-</u>	<u>2,457,274</u>
Restated fund balance July 1, 2005	<u>\$ 1,794,661</u>	<u>\$ 1,412,110</u>	<u>\$ 611,950</u>	<u>\$ 3,818,721</u>
			<u>Governmental Activities</u>	
Net Assets, June 30, 2005			\$ 8,947,447	
Income tax receivable			<u>2,457,274</u>	
Restated net assets, July 1, 2005			<u>\$ 11,404,721</u>	

**Fremont City School District  
Sandusky County**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

**NOTE 3 - ACCOUNTABILITY**

**Change in Accounting Principle**

For the fiscal year 2006, the School District has implemented GASB Statement No 46, "Net Assets Restricted by Enabling Legislation", and GASB Statement No. 47, "Accounting for Termination Benefits". The implementation of these new standards did not require a restatement of balances.

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Change in Fund Balance - Budget (Non-GAAP Basis) and Actual for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The adjustments necessary to reconcile the GAAP and budgetary basis statements for the general fund are as follows:

<u>Change in Fund Balance</u>	
GAAP Basis	\$ (1,074,174)
<u>Increase(Decrease) Due To:</u>	
Revenue Accruals	1,260,527
Expenditure Accruals	(356,813)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	<u>(64,281)</u>
Budget Basis	<u>\$ (234,741)</u>

**Fremont City School District  
Sandusky County**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

**NOTE 5 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim moneys are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim monies to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

**Fremont City School District  
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Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

All interest is legally required to be placed in the general fund, and other funds as approved by a Board resolution. Interest revenue credited to the general fund during fiscal year 2006 amount to \$194,813, which includes \$76,970 assigned from other School District funds.

**A. Cash on Hand**

At year-end, the School District had \$634 in undeposited cash on hand which is included on the financial statements of the School District as part of "Equity in Pooled Cash and Cash Equivalents."

**B. Deposits with Financial Institutions**

At June 30, 2006, the carrying amount of all District deposits was \$3,295,094. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2006, \$4,497,651 of the School District's bank balance of \$ 4,723,149 was exposed to custodial risk as discussed below, while \$225,498 was covered by Federal Deposit Insurance Corporation.

**Fremont City School District  
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Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

**C. Reconciliation of Deposits to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2006:

<u>Deposits and cash on hand</u>	
Carrying amount of deposits	\$ 3,295,094
Cash on hand	634
Total	<u>\$ 3,295,728</u>
<u>Cash and cash equivalents</u>	
Governmental Activities:	
Equity in pooled cash and cash equivalents	\$ 3,049,207
Cash and cash equivalents in segregated accounts	58,000
Fiduciary Funds:	
Private purpose trusts	100,107
Agency	88,414
Total	<u>\$ 3,295,728</u>

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2006, consisted of accounts (rent, billings for user charged services, and student fees), intergovernmental, income taxes, interfund, amounts due from external parties, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

**Fremont City School District  
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Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

A summary of the principal items of receivables follows:

	<u>Amount</u>
<b>Governmental Activities</b>	
General Fund	
Property taxes receivable	\$ 11,627,689
Income tax receivable	2,309,436
Permanent Improvement Fund	
Property taxes receivable	906,450
Other Governmental Funds	
Intergovernmental receivables:	
Food service	4,130
Title I: migrant	136,000
Vocational education	10,000
Title I	213,310
Drug free schools	1,726
Title II-A	25,368
Miscellaneous federal grants	<u>30,000</u>
Total Other Governmental Funds	<u>\$ 420,534</u>

**NOTE 7 - INCOME TAXES**

The School District levies a voted tax of 1.25 percent for general operations on the income of residents and of estates. Of this amount, .75 percent of the tax was effective on January 1, 1999, and .5 percent of the tax was effective on January 1, 2004. Both will continue for five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.

**NOTE 8 - PAYMENT IN LIEU OF TAXES**

According to State law, the School District has entered into agreements with a number of property owners under which the School District has granted property tax abatements to those property owners. The property owners have agreed to make payments to the School District which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The property owners' contractual promises to make these payments in lieu of taxes generally continue until the agreement expires.

**Fremont City School District  
Sandusky County**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

**NOTE 9 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First-half tax distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2006 represent the collection of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2006 represent the collection of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien on December 31, 2004, were levied after April 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2006 (other than public utility property) represent the collection of calendar year 2005 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2005. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Sandusky County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**Fremont City School District  
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Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2006, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2006, was \$2,218,259 in the general fund and \$173,023 in the Permanent Improvement capital projects fund.

Collectible delinquent property taxes have been recorded as a receivable and revenue on an accrual basis. On the modified accrual basis, the revenue is deferred. The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second Half Collections		2006 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 479,739,260	79.57%	\$ 487,594,490	86.65%
Public Utility	25,716,080	4.27%	24,008,850	4.27%
Tangible Personal	97,454,011	16.16%	51,098,445	9.08%
Total Assessed Value	<u>\$ 602,909,351</u>	<u>100.00%</u>	<u>\$ 562,701,785</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 34.10		\$ 34.10	

**Fremont City School District  
Sandusky County**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

**NOTE 10 - CAPITAL ASSETS**

	<u>Balance 7/1/2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2006</u>
<b>Governmental Activities</b>				
Nondepreciable Capital Assets				
Land	<u>\$ 409,270</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 409,270</u>
Depreciable Capital Assets				
Buildings and Building Improvements	<u>17,036,484</u>	<u>-</u>	<u>-</u>	<u>17,036,484</u>
Furniture, Fixtures, and Equipment	<u>1,134,157</u>	<u>157,931</u>	<u>-</u>	<u>1,292,088</u>
Vehicles	<u>2,681,130</u>	<u>274,712</u>	<u>(137,603)</u>	<u>2,818,239</u>
Total Depreciable Capital Assets	<u><u>20,851,771</u></u>	<u><u>432,643</u></u>	<u><u>(137,603)</u></u>	<u><u>21,146,811</u></u>
Less Accumulated Depreciation:				
Buildings and Building Improvements	<u>(7,265,583)</u>	<u>(361,691)</u>	<u>-</u>	<u>(7,627,274)</u>
Furniture, Fixtures, and Equipment	<u>(532,003)</u>	<u>(69,545)</u>	<u>-</u>	<u>(601,548)</u>
Vehicles	<u>(1,738,206)</u>	<u>(172,992)</u>	<u>137,603</u>	<u>(1,773,595)</u>
Total Accumulated Depreciation	<u><u>(9,535,792)</u></u>	<u><u>(604,228)</u></u>	<u><u>137,603</u></u>	<u><u>(10,002,417)</u></u>
Depreciable Capital Assets, Net				
Governmental Activities	<u><u>11,315,979</u></u>	<u><u>(171,585)</u></u>	<u><u>-</u></u>	<u><u>11,144,394</u></u>
Capital Assets, Net	<u><u>\$ 11,725,249</u></u>	<u><u>\$ (171,585)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 11,553,664</u></u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 187,358
Special	25,247
Support Services:	
Pupils	2,774
Instructional staff	1,561
Administration	8,425
Operation and maintenance of plant	156,901
Pupil transportation	171,731
Operation of non-instructional services	9,269
Extracurricular activites	<u>40,962</u>
Total Depreciation Expense	<u><u>\$ 604,228</u></u>

**Fremont City School District  
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Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

**NOTE 11 - INTERFUND ASSETS/LIABILITIES**

**A. Interfund Receivable/Payable**

The interfund receivable/payable consisted of the following at June 30, 2006, as reported on the fund financial statements:

Due to general fund from:  
Nonmajor governmental funds      \$    20,000

The primary purpose of the interfund balances is to cover costs in specific funds where revenue were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received.

**B. Interfund Transfers**

The interfund transfers consisted of the following at June 30, 2006, as reported on the fund financial statements:

Transfers from general fund to:  
Nonmajor governmental funds      \$ 148,688

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

**NOTE 12 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

For fiscal year 2006, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

**Fremont City School District  
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Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

The School District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (Plan). The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The third party administrator, Sheakley Uniservice, Inc., reviews each participant's claims experience and determines the rating tier for that participant. A common premium rate is applied to all participants in a given rating tier. Each participant pays its workers' compensation premium to the State based on the rate for their rating tier rather than its individual rate. Sheakley Uniservice, Inc. provides administrative, cost control, and actuarial services to the Plan.

The School District offers medical, prescription drug, and dental insurance to all employees through a partially self-insured program. All funds of the School District participated in the program and made payments to the Self Insurance internal service fund based on actuarial estimates of the amounts needed to pay prior and current year claims. The School District purchased stop loss insurance for claims in excess of \$100,000 per individual annually and \$1,000,000 per individual, per lifetime. Settled claims have not exceeded this coverage for the past three years. Claims payable is based on the requirements of Governmental Accounting Standards Board Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Claims payable at June 30, 2006, were estimated by the third party administrator at \$486,791. The changes in the claims liability for the past two fiscal years are as follow:

Fiscal Year	Beginnning Balance	Current Year Claims	Claims Payments	Ending Balance
2006	\$ 969,841	\$ 3,349,808	\$ 3,832,858	\$ 486,791
2005	652,700	4,822,241	4,505,100	969,841

**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

**Fremont City School District  
Sandusky County**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

A DBP or CP member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DCP who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2006, 2005, and 2004 was \$2,114,704, \$2,202,162, and \$2,132,198, respectively; 84 percent has been contributed for fiscal year 2006 and 100 percent has been contributed for fiscal years 2005 and 2004. Contributions for the DCP and CP for the fiscal year ended June 30, 2006, were \$13,019 made by the School District and \$28,660 made by plan members.

**B. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

**Fremont City School District  
Sandusky County**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2006 was 14 percent of annual covered payroll; 9.09 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board.

The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 was \$375,948, \$477,887, and \$429,444, respectively; 30 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2006, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

STRS retirees who participated in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2006, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount was \$151,050.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.3 billion at June 30, 2005 (the latest information available). For the fiscal year ended June 30, 2005, net health care costs paid by STRS were \$261,675,000, and STRS had 115,395 eligible benefit recipients.

**Fremont City School District  
Sandusky County**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All members must pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply.

For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.42 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2% of each employer's SERS salaries. For the School District, the amount to fund health care benefits, including the surcharge, was \$695,080 for fiscal year 2006.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2006, were \$158,751,207. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has approximately 59,492 participants currently receiving health care benefits.

**NOTE 15 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn five to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred twenty-five days for administrators, supervisors, and classified supervisors; two hundred twenty days for teachers and school calendar employees; and two hundred fifty days for full-time classified employees. Upon retirement, payment is made for one half of accrued, but unused sick leave credit to a maximum of fifty-one days for teachers and thirty-five days for classified employees. Payment for administrators, supervisors, and classified supervisors is made for one fourth up to forty-seven days. In addition, classified employees receive one-half of accrued, but unused sick leave credit in excess of seventy days, up to a maximum of twelve days.

**B. Health Care Benefits**

The School District provides medical, prescription drug, and dental insurance benefits to all employees through a partially self-insured program.

**Fremont City School District  
Sandusky County**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

**C. Special Termination Benefits**

The School District offers a special termination benefit to employees in the first year they are eligible to retire from their respective retirement system. The benefit is available to certified employees who have five or more years of consecutive service and retire from STRS and to classified employees who have seventeen or more years of consecutive service and retire from SERS. The bonus, of twenty days calculated at the employee's daily rate at the time of retirement, will be paid after January 1 and before March 31 of the year following retirement for certified employees and within sixty days of retirement acceptance for classified employees. The bonus carries a provision that classified employees must also have accrued in excess of one hundred fifty days of unused sick leave at the time of retirement.

**NOTE 16 - NOTES PAYABLE**

During fiscal year 2004, the School District issued \$1,100,000 in tax anticipation notes for general operations of the School District. The notes were issued under the authority of Ohio Revised Code Section 5748.05 for a five-year period, with final maturity during fiscal year 2009. The notes have an interest rate of 4.92 percent.

Principal and interest requirements to retire the notes payable outstanding at June 30, 2006, were as follows:

Fiscal Year	Principal	Interest	Total
2007	\$ 220,000	\$ 32,472	\$ 252,472
2008	220,000	21,648	241,648
2009	<u>220,000</u>	<u>10,824</u>	<u>230,824</u>
	<u><u>\$ 660,000</u></u>	<u><u>\$ 64,944</u></u>	<u><u>\$ 724,944</u></u>

**NOTE 17 - LONG-TERM OBLIGATIONS**

Changes in the School District's long-term obligations during fiscal year 2006 were as follows:

	Balance at 6/30/2005	Additions	Reductions	Balance at 6/30/2006	Amount Due within One Year
<b>Governmental Activities</b>					
2000 G.O. Bonds, maturing 2009, 5.90%	\$ 630,000	\$ -	\$ (115,000)	\$ 515,000	\$ 125,000
Compensated absences	3,486,001	30,430	(140,147)	3,376,284	167,897
Capital leases	91,694	-	(68,196)	23,498	23,498
Total Long-term Obligations	<u>\$ 4,207,695</u>	<u>\$ 30,430</u>	<u>\$ (323,343)</u>	<u>\$ 3,914,782</u>	<u>\$ 316,395</u>

**Fremont City School District  
Sandusky County**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

2000 General Obligation Bonds - In fiscal year 2001, the School District issued \$1,045,000 in unvoted general obligation bonds for providing energy conservation measures for the School District. The bonds were issued under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372 for a nine year period, with final maturity during fiscal year 2010. The bonds are being retired through the Bond Retirement debt service fund.

Compensated absences will be paid from the general fund and the Food Service, Auxiliary Services, Disadvantaged Pupil Impact Aid, Migrant Education, Title VI-B, and Title I special revenue funds.

The School District's overall debt margin was \$50,128,161 with an unvoted debt margin of \$562,702 at June 30, 2006.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2006, were as follows:

Fiscal Year	Principal	Interest	Total
2007	\$ 125,000	26,698	151,698
2008	130,000	19,175	149,175
2009	130,000	11,505	141,505
2010	130,000	3,835	133,835
	<u>\$ 515,000</u>	<u>\$ 61,213</u>	<u>\$ 576,213</u>

**NOTE 18 - CAPITAL LEASES - LESSEE DISCLOSURE**

The School District has entered into leases for copiers. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds. Principal payments in 2006 were \$68,196 in the governmental funds.

	<u>Governmental Activities</u>
Property under capital lease	\$ 285,610
Less: Accumulated depreciation	<u>(257,049)</u>
Total June 30, 2006	<u>\$ 28,561</u>

**Fremont City School District  
Sandusky County**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2006:

<u>Fiscal Year</u>	<u>Lease Payments</u>
2007	<u>23,749</u>
Total minimum lease payments	23,749
Less: amount representing interest	(251)
Total	<u>\$ 23,498</u>

**NOTE 19 - SET ASIDES**

The School District is required by State statute to annually set-aside monies for the purchase of textbooks and other instructional materials, and for capital improvements. The amounts set-aside may be reduced by offset credits, which are monies received and restricted for the same specific purpose. Although the School District had offsets and/or qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may only be used to reduce the set-aside requirements of future years for the purchase of textbooks and/or instructional materials. Negative amounts are therefore not presented as being carried forward to the next fiscal year for the other set-aside. Amounts not spent by year-end or reduced by offset credits must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District was not required to restrict a portion of their general fund cash balance as of the end of 2006. The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2006.

	<u>Textbooks</u>	<u>Capital Improvements</u>
Balance June 30, 2005	\$ -	\$ -
Current Year Set-Aside Requirement	604,530	604,530
Qualifying Expenditure	(605,384)	-
Current Year Offsets	-	(944,908)
Balance June 30, 2006	<u>\$ (854)</u>	<u>\$ (340,378)</u>

**NOTE 20 - DONOR RESTRICTED ENDOWMENTS**

The School District's private purpose trust funds consist of donor restricted endowments and realized and unrealized appreciation on investments. Endowments, in the amount of \$50,167, represent the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$52,373 and is reflected as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide scholarships each year.

**Fremont City School District  
Sandusky County**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

**NOTE 21 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Northern Ohio Educational Computer Association**

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization among forty-one school districts. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NOECA is governed by a Board of Directors chosen from the general membership of the NOECA Assembly. The NOECA Assembly consists of a representative from each participating school district. The degree of control exercised by any participating school district is limited to its representation on the Board of Directors. During fiscal year 2006, the School District paid \$66,246 to NOECA for various services. Financial information can be obtained from Betty Schwiefert, who serves as Controller, 2900 South Columbus Avenue, Sandusky, Ohio 44870.

**B. Northwestern Ohio Educational Research Council, Inc.**

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

**C. Vanguard-Sentinel Career Center**

The Vanguard-Sentinel Career Center (Career Center) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Career Center is operated under the direction of a Board consisting of two representatives from the Fremont City School District and one representative from the other thirteen participating school districts' elected boards. The Career Center possesses its own budgeting and taxing authority. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Vanguard-Sentinel Career Center, Jay Valasek, who serves as Treasurer, 1306 Cedar Street, Fremont, Ohio 43420.

**Fremont City School District  
Sandusky County**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

**D. Northwest Ohio Special Education Regional Resource Center**

The Northwest Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to provide services to families, educators, and agencies regarding educational law and curriculum, and instruction for students with disabilities. The SERRC serves a thirteen county area in Northwest Ohio. The Governing Board consists of superintendents from each of the cooperating School Districts, the fiscal agent superintendent, two parents of children with disabilities, one superintendent of a county board of MR/DD, one representative from a chartered non-public school, one representative from the University of Toledo, one representative from Bowling Green State University, one representative from a community school, and any other representatives from other agencies as designated by the Governing Board or the Ohio Department of Education. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Dave Michel, Eastwood Local School District, 4800 Sugar Ridge Road, Pemberville, Ohio 43450.

**E. Northwest Ohio Regional Professional Development Center**

The Northwest Ohio Regional Professional Development Center (RPDC) is a jointly governed organization among the school districts in Defiance, Erie, Fulton, Henry, Lucas, Ottawa, Sandusky, Williams, and Wood counties. The RPDC focuses on the implementation of academic content standards and the deployment of State initiatives. All activities reflect definition of high quality professional development, including job-embedded, connected to strategic goals, sustained, intensive skill building, and measurement of impact on student learning.

The RPDC is governed by a fifteen member board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Northwest Ohio Regional Professional Development Center, 414 Emerald Street, 2<sup>nd</sup> Floor, Toledo, Ohio 43602.

**NOTE 22 - INSURANCE POOL**

The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Hyre Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Hyre Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Hyre Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

**Fremont City School District  
Sandusky County**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

**NOTE 23 - FISCAL CAUTION**

On April 10, 2003, the School District was declared in fiscal caution by the State Department of Education due to projected deficits. The School District's current five-year forecast reflects positive fund balances through fiscal year 2007. Fiscal year 2010 currently reflects a projected deficit. The State Department of Education continues to monitor the School District's financial activity.

**NOTE 24 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2006.

**B. Litigation**

There are currently no matters in litigation with the School District as defendant.

Fremont City School District  
Schedule of Federal Awards Expenditures  
For the Year Ending June 30, 2006

Federal Grantor/Pass Through Grantor Number/Program Title	CFDA Number	Federal Receipts	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>			
Pass through Ohio Department of Development			
Nutrition Cluster:			
National School Lunch Program	10.555	\$ 591,650	\$ 591,650
Federal Snack Reimbursement	10.555	7,896	7,896
Fed. Reimburse - Super Program	10.555	4,886	4,886
Breakfast Program	10.553	101,229	101,229
Summer Food Service Program	10.559	<u>23,086</u>	<u>23,086</u>
<b>Total Nutrition Cluster</b>		<b>728,747</b>	<b>728,747</b>
Food Distribution	10.550	<u>113,248</u>	<u>113,248</u>
<b>Total U.S. Department of Agriculture</b>		<b>841,995</b>	<b>841,995</b>
<b><u>U.S. Department of Education</u></b>			
Pass through Ohio Department of Education			
ESEA Title I, Part C, Migrant Education—State Grant Program			
Title I Migrant Worker- FY 05	84.011	101,754	117,846
Title I Migrant Worker- FY 06	84.011	<u>51,000</u>	<u>46,627</u>
<b>Total Title I - Migrant Education</b>		<b>152,754</b>	<b>164,473</b>
ESEA Title I, Part A, Title I Grants to Local Education Agencies			
Title I - N/D FY 05	84.010	1,537	4,530
Title I - Targeted Asst. FY 05	84.010	2,633	8,677
Title I - Targeted Asst. FY 06	84.010	14,914	9,795
Title I - Schoolwide FY 05	84.010	57,047	166,729
Title I - Schoolwide FY 06	84.010	<u>581,989</u>	<u>512,338</u>
<b>Total Title I - Grants to Local Education Agencies</b>		<b>658,120</b>	<b>702,069</b>
Title VI - B, Special Education - Assistance to States for Education of Handicapped Children			
Title VI - B - FY 05	84.027	-	44,170
Title VI - B - FY 06	84.027	<u>1,181,844</u>	<u>1,146,949</u>
<b>Total Title VI - B</b>		<b>1,181,844</b>	<b>1,191,119</b>
Career & Tech ED	84.048	10,000	2,932
Drug - Free School Grant			
Drug - Free School Grant - FY05	84.186	2,029	7,802
Drug - Free School Grant - FY06	84.186	<u>21,493</u>	<u>17,109</u>
<b>Total Drug - Free School Grant</b>		<b>23,522</b>	<b>24,911</b>
Even Start - FY06	84.213	135,112	131,614
Innovative Education Program Strategies			
Innovative Education Program Strategies - FY05	84.298	-	11,830
Innovative Education Program Strategies - FY06	84.298	<u>15,619</u>	<u>12,456</u>
<b>Total Innovative Education Program Strategies</b>		<b>15,619</b>	<b>24,286</b>
Title II-D Technology - FY06	84.318	13,968	12,435
Title III			
Title III LEP - FY05	84.365	-	3,437
Title III Immigrant - FY05	84.365	556	1,595
Title III LEP - FY06	84.365	<u>91,846</u>	<u>76,717</u>
<b>Total Title III</b>		<b>92,402</b>	<b>81,749</b>
Title II-A			
Improv. Teacher Quality - FY05	84.367	55,140	96,121
Improv. Teacher Quality - FY06	84.367	<u>251,458</u>	<u>217,747</u>
<b>Total Title II-A</b>		<b>306,598</b>	<b>313,868</b>
21st Century			
21st Century -FY05	84.287	48,947	55,589
21st Century -FY06	84.287	<u>300,000</u>	<u>300,000</u>
<b>Total 21st Century</b>		<b>348,947</b>	<b>355,589</b>
<b>Total U.S. Department of Education</b>		<b>2,938,886</b>	<b>3,005,045</b>
<b>Total Federal Expenditures</b>		<b>\$ 3,780,881</b>	<b>\$ 3,847,040</b>

See accompanying Notes to the Schedule of Federal Awards Expenditures

**FREMONT CITY SCHOOL DISTRICT**  
**Sandusky County, Ohio**  
**Notes to the Federal Awards Expenditure Schedule**  
**For the Year Ended June 30, 2006**

**1. Significant Accounting Policies**

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred.

**2. Food Distribution**

Nonmonetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2006, the District had immaterial food commodities in inventory.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Fremont City School District  
Sandusky County  
1220 Cedar Street  
Suite A  
Fremont, Ohio 43420

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fremont City School District, Sandusky County, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 13, 2006, wherein we noted we were unable to obtain assurance regarding Building and Building Improvement, Furniture, Fixtures and Equipment and Vehicles and other capital assets, net of depreciation, accumulated depreciation, depreciation expense, and invested in capital assets, net of related debt. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Controls Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as item 2005-FSSC-01.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we consider the reportable condition described above to be a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

***Charles E. Harris & Associates, Inc.***

December 13, 2006

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Fremont City School District  
Sandusky County  
1220 Cedar Street  
Suite A  
Fremont, Ohio 43420

To the Board of Education:

**Compliance**

We have audited the compliance of the Fremont City School District with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2006. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2006.

**Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report intended for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Charles E. Harris & Associates, Inc.*

December 13, 2006

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A-133 SECTION .505**

**FREMONT CITY SCHOOL DISTRICT**  
**SANDUSKY COUNTY**  
**June 30, 2006**

**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Qualified
(d)(1)(ii)	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	Yes
(d)(1)(ii)	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	Yes
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	21st Century:CFDA 84.287 Special Education Cluster:CFDA 84.027 Title I: CFDA 84.010
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	No

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (continued)**  
**OMB CIRCULAR A-133 SECTION .505**

**FREMONT CITY SCHOOL DISTRICT  
SANDUSKY COUNTY**  
June 30, 2006

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2005-FSSC-01 – Material Weakness**

**Capital Asset Management System**

A capital assets management system ensures that policies and procedures are in place to safeguard assets and maintains the integrity of financial statement information. These procedures should include: authorizing and recording disposals and transfers of assets; recording purchases as additions at the time items are received; tagging assets to ensure that each asset is in the appropriate location and described accurately in the District's inventory list.

Our testing of the District's capital assets revealed instances where additions were not properly recorded into the District's records and items were recorded in the incorrect year. Also, items with a purchase price under the District's \$10,000 capital asset threshold were included in the District's capital asset list. Further, the District tagged items, but did not enter the tag numbers into their computer system.

The above deficiencies caused the ending capital asset sub-ledger balances to not agree to the audit report for various asset categories. Although some amounts were adjusted in the financial statements, some items could not be traced, therefore were not adjusted, which lead to the opinion modification.

We recommend that the District coordinate its effort to maintain a complete and accurate inventory of capital assets throughout the District through the implementation of policies and procedures which address: 1) reporting to the Treasurer (for updating District-wide records) 2) input tagged items into the District's computer system 3) calculating and recording depreciation 4) perform a physical count of capital assets to obtain an accurate balance and then perform periodic physical counts regularly and 5) maintain a detailed master capital asset list appropriately sorted and readily sorted which readily supports financial statement preparation.

Management indicates that they will implement better controls in their capital asset management system.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**None.**

### **SCHEDULE OF PRIOR AUDIT FINDINGS**

The prior audit report, for the year ending June 30, 2005, reported no material citations or recommendations.



# Mary Taylor, CPA

Auditor of State

## FREMONT CITY SCHOOL DISTRICT SANDUSKY COUNTY

### CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED  
APRIL 17, 2007