



Dave Yost • Auditor of State

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Fort Loramie Local School District
Shelby County
575 Greenback Road
P.O. Box 26
Fort Loramie, Ohio 45845

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 Fort Loramie Local School District, Shelby County, (the School District), as of and for the years ended June 30, 2010 and June 30, 2009, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 our audit provides a reasonable basis for our opinions.

Ohio Administrative Code § 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fort Loramie Local School District, Shelby County, as of June 30, 2010 and June 30, 2009, and the respective changes in cash financial position thereof and the respective budgetary comparisons for the General fund for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2011, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 the 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.

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Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements taken as a whole. The schedule of federal awards receipts and expenditures provides additional information required by the 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. The schedule of federal awards receipts and expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

January 26, 2011

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
UNAUDITED**

The discussion and analysis of Ft. Loramie Local School District's (the School District) financial performance provides an overview of the School District's financial activities for the fiscal years ended June 30, 2010 and June 30, 2009, within the limitations of cash basis accounting. The intent of this discussion and analysis is to look at the School District's financial performance as a whole.

Using This Annual Report

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the School District's cash basis of accounting.

The School District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and the related assets and liabilities. Under the School District's cash basis of accounting, receipts and disbursements and the related assets and liabilities are recorded when they result in cash transactions.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

The statement of net assets and the statement of activities provide information about the cash activities of the whole School District.

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 nonmajor funds presented in total in a single column. For Ft. Loramie Local School District, the General Fund, Bond Retirement Debt Service Fund, and the Permanent Improvement and Ohio School Facilities Commission Capital Project Funds are the most significant funds in 2010. In 2009, the General Fund, and the Building and Ohio School Facilities Commission Capital Project Funds are the most significant funds

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 the fiscal year, within the limitations of cash basis accounting. The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the School District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
UNAUDITED
(Continued)**

These statements report the School District's cash position and the changes in cash position. Factors which contribute to these changes may 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 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, extracurricular activities, capital outlay, and debt service disbursements.

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. During fiscal year 2010, the School District's major governmental funds are the General Fund, Bond Retirement debt service fund, and the Permanent Improvement and the Ohio School Facilities Commission capital projects funds. While during fiscal year 2009, the School District's major governmental funds are the General Fund and the Building and the Ohio School Facilities Commission Capital Projects Funds.

Governmental Funds - All of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal yearend for spending in future periods. These funds are reported using cash basis accounting. 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.

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.

THE SCHOOL DISTRICT AS A WHOLE

Table 1 provides a summary of the School District's net assets:

Fiscal Year 2010 and Fiscal Year 2009

Table 1			
Governmental Activities			
Net Assets			
	2010	2009	Change
Assets:			
Total Assets	\$4,510,379	\$8,417,482	(\$3,907,103)
Net Assets:			
Restricted	1,766,617	5,883,856	(4,117,239)
Unrestricted	2,743,762	2,533,626	210,136
Total Net Assets	\$4,510,379	\$8,417,482	(\$3,907,103)

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
UNAUDITED
(Continued)**

Fiscal Year 2009 and Fiscal Year 2008

**Table 1
Governmental Activities
Net Assets**

	2009	2008	Change
Assets:			
Total Assets	\$8,417,482	\$16,151,666	(\$7,734,184)
Net Assets:			
Restricted	5,883,856	13,738,048	(7,854,192)
Unrestricted	2,533,626	2,413,618	120,008
Total Net Assets	\$8,417,482	\$16,151,166	(\$7,734,184)

The School District's building project in partnership with the Ohio School Facilities Program was the major factor in the change in the district's assets, for both fiscal years 2010 and 2009. Current assets and restricted net assets include the disbursement of debt proceeds and grants received in prior fiscal years.

Table 2 reflects the change in net assets:

Fiscal Year 2010 and Fiscal Year 2009

**Table 2
Change in Net Assets**

	2010	2009	Change
Receipts:			
Program Receipts:			
Charges for Services	\$ 582,799	\$ 534,609	\$ 48,190
Operating Grants, Contributions, and Interest	743,206	526,547	216,659
Capital Grants and Contributions	18,497	20,528	(2,031)
Total Program Receipts	1,344,502	1,081,684	262,818
General Receipts:			
Property Taxes	2,325,089	2,362,775	(37,686)
Income Taxes	1,338,130	1,456,223	(118,093)
Grants and Entitlements	3,843,556	6,390,247	(2,546,691)
Interest	77,107	370,818	(293,711)
Notes Issued	1,380,000	1,480,000	(100,000)
Miscellaneous	44,763	66,711	(21,948)
Total General Receipts	9,008,645	12,126,774	(3,118,129)
Total Receipts	10,353,147	13,208,458	(2,855,311)
Disbursements:			
Instruction:			
Regular	3,529,819	3,476,253	(53,566)
Special	513,207	486,465	(26,742)

(Continued)

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
UNAUDITED
(Continued)**

**Table 2
Change in Net Assets
(Continued)**

	2010	2009	Change
Support Services:			
Pupils	600,009	598,183	(1,826)
Instructional Staff	395,026	358,184	(36,842)
Board of Education	18,736	40,239	21,503
Administration	608,835	647,142	38,307
Fiscal	220,775	226,260	5,485
Business	722	6,875	6,153
Operation and Maintenance of Plant	673,557	764,662	91,105
Pupil Transportation	224,324	390,300	165,976
Central	60,309	54,462	(5,847)
Non-instructional Services	308,647	290,115	(18,532)
Extracurricular Activities	398,864	406,524	7,660
Capital Outlay	4,505,517	10,838,988	6,333,471
Debt Service:			
Principal Retirement	1,745,000	1,739,780	(5,220)
Interest and Fiscal Charges	448,240	610,010	161,770
Issuance Costs	8,663	8,200	(463)
Total Disbursements	<u>14,260,250</u>	<u>20,942,642</u>	<u>6,682,392</u>
Increase (Decrease) in Net Assets	(3,907,103)	(7,734,184)	3,827,081
Net Assets at Beginning of Year	<u>8,417,482</u>	<u>16,151,666</u>	<u>(7,734,184)</u>
Net Assets at End of Year	<u><u>\$4,510,379</u></u>	<u><u>\$8,417,482</u></u>	<u><u>(\$3,907,103)</u></u>

Total receipts decreased significantly. Overall, program receipts had a significant increase from additional grant resources received from the American Reinvestment and Recovery Act. General receipts decreased significantly primarily from the School District having received the majority of the Ohio School Facilities Commission grant in prior fiscal years.

The overall total disbursements decreased 32 percent with the majority from the construction disbursements relating to the Ohio School Facilities Commission project. Other significant decreases in disbursements include costs associated with wind damage in fiscal year 2009 within the operation and maintenance of plant support services and the purchase of buses in the pupil transportation support services in fiscal year 2009.

Fiscal Year 2009 and Fiscal Year 2008

**Table 2
Change in Net Assets**

	2009	2008	Change
Receipts:			
Program Receipts:			
Charges for Services	\$ 534,609	\$ 543,317	(\$ 8,708)
Operating Grants, Contributions, and Interest	526,547	555,695	(29,148)
Capital Grants and Contributions	20,528	3,385	17,143
Total Program Receipts	<u>1,081,684</u>	<u>1,102,397</u>	<u>(20,713)</u>

(Continued)

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
UNAUDITED
(Continued)**

**Table 2
Change in Net Assets
(Continued)**

	2009	2008	Change
General Receipts:			
Property Taxes	2,362,775	2,384,933	(22,158)
Income Taxes	1,456,223	1,585,508	(129,285)
Grants and Entitlements	6,390,247	10,236,873	(3,846,626)
Interest	370,818	449,353	(78,535)
Notes Issued	1,480,000	1,615,000	(135,000)
Premium of Notes and Bonds Issued		8,915	(8,915)
Miscellaneous	66,711	69,927	(3,216)
Total General Receipts	12,126,774	16,350,509	(4,223,735)
Total Receipts	13,208,458	17,452,906	(4,244,448)
Disbursements:			
Instruction:			
Regular	3,476,253	3,412,527	(63,726)
Special	486,465	418,830	(67,635)
Support Services:			
Pupils	598,183	536,330	(61,853)
Instructional Staff	358,184	344,975	(13,209)
Board of Education	40,239	27,083	(13,156)
Administration	647,142	593,016	(54,126)
Fiscal	226,260	196,208	(30,052)
Business	6,875	639	(6,236)
Operation and Maintenance of Plant	764,662	558,661	(206,001)
Pupil Transportation	390,300	207,693	(182,607)
Central	54,462	54,197	(265)
Non-instructional Services	290,115	278,853	(11,262)
Extracurricular Activities	406,524	344,143	(62,381)
Capital Outlay	10,838,988	2,258,525	(8,580,463)
Debt Service:			
Principal Retirement	1,739,780	106,666	(1,633,114)
Interest and Fiscal Charges	610,010	545,075	(64,935)
Issuance Costs	8,200	8,915	715
Total Disbursements	20,942,642	9,892,336	(11,050,306)
Increase in Net Assets	(7,734,184)	7,560,570	(15,294,754)
Net Assets at Beginning of Year	16,151,666	8,591,096	7,560,570
Net Assets at End of Year	\$8,417,482	\$16,151,666	(\$7,734,184)

Total receipts decreased significantly. Overall, program receipts had a small decrease; however, capital grants and contributions increased from donations. General receipts decreased significantly primarily from the School District having received the majority of the Ohio School Facilities Commission grant in prior fiscal years.

The overall total disbursements increased 112 percent with the majority from the construction disbursements relating to the Ohio School Facilities Commission project. Other significant increases in disbursements include costs associated with wind damage within the operation and maintenance of plant support services and the purchase of buses in the pupil transportation support services.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
UNAUDITED
(Continued)**

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 receipts and unrestricted state entitlements.

Fiscal Year 2010 and Fiscal Year 2009

**Table 3
Governmental Activities**

	Total Cost Of Services		Net Cost Of Services	
	2010	2009	2010	2009
Instruction:				
Regular	\$ 3,529,819	\$ 3,476,253	\$ 3,392,609	\$ 3,315,216
Special	513,207	486,465	62,702	59,635
Support Services:				
Pupils	600,009	598,183	479,524	542,958
Instructional Staff	395,026	358,184	395,026	358,184
Board of Education	18,736	40,239	18,736	40,239
Administration	608,835	647,142	608,835	647,142
Fiscal	220,775	226,260	220,775	226,260
Business	722	6,875	722	6,875
Operation and Maintenance of Plant	673,557	764,662	651,792	759,717
Pupil Transportation	224,324	390,300	76,996	375,847
Central	60,309	54,462	55,309	49,462
Non-instructional Services	308,647	290,115	(11,373)	(13,322)
Extracurricular Activities	398,864	406,524	256,675	295,767
Capital Outlay	4,505,517	10,838,988	4,505,517	10,838,988
Debt Service:				
Principal Retirement	1,745,000	1,739,780	1,745,000	1,739,780
Interest and Fiscal Charges	448,240	610,010	448,240	610,010
Issuance Costs	8,663	8,200	8,663	8,200
Total Disbursements	<u>\$14,260,250</u>	<u>\$20,942,642</u>	<u>\$12,915,748</u>	<u>\$19,860,958</u>

The School District provided for 85 percent of total instruction costs with property taxes and unrestricted grants and entitlements in fiscal year 2010, which is consistent with the prior fiscal year. Overall, the percentage funded by general receipts decreased slightly, from 95 percent in fiscal year 2009 to 91 percent in fiscal year 2010, which was principally created from the construction and renovation of instructional buildings. The most significant program receipts are associated with food service (non-instructional) that are received to finance these activities. Food service also receives federal and state resources to provide meals to students.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
UNAUDITED
(Continued)**

Fiscal Year 2009 and Fiscal Year 2008

**Table 3
Governmental Activities**

	Total Cost Of Services		Net Cost Of Services	
	2009	2008	2009	2008
Instruction:				
Regular	\$ 3,476,253	\$3,412,527	\$ 3,315,216	\$3,221,982
Special	486,465	418,830	59,635	(436)
Vocational				(34)
Support Services:				
Pupils	598,183	536,330	542,958	499,491
Instructional Staff	358,184	344,975	358,184	339,701
Board of Education	40,239	27,083	40,239	27,083
Administration	647,142	593,016	647,142	593,016
Fiscal	226,260	196,208	226,260	196,208
Business	6,875	639	6,875	639
Operation and Maintenance of Plant	764,662	558,661	759,717	537,512
Pupil Transportation	390,300	207,693	375,847	197,066
Central	54,462	54,197	49,462	49,197
Non-instructional Services	290,115	278,853	(13,322)	(5,977)
Extracurricular Activities	406,524	344,143	295,767	215,310
Capital Outlay	10,838,988	2,258,525	10,838,988	2,258,525
Debt Service:				
Principal Retirement	1,739,780	106,666	1,739,780	106,666
Interest and Fiscal Charges	610,010	545,075	610,010	545,075
Issuance Costs	8,200	8,915	8,200	8,915
Total Disbursements	<u>\$20,942,642</u>	<u>\$9,892,336</u>	<u>\$19,860,958</u>	<u>\$8,789,939</u>

Disbursements in the instructional functions were funded 85 percent by general receipts, which is consistent with the prior fiscal year. Overall, the percentage funded by general receipts increased by 6 percent, from 89 percent in fiscal year 2008 to 95 percent in fiscal year 2009, which was principally created from the construction and renovation of instructional buildings. The most significant program receipts are associated with food service (non-instructional) that are received to finance these activities. Food service also receives federal and state resources to provide meals to students.

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting. During fiscal year 2010, the School District's major governmental funds are the General Fund, Bond Retirement debt service fund, and the Permanent Improvement and the Classroom Facilities Capital Project Funds. While during fiscal year 2009, the School District's major governmental funds are the General Fund and the Building and the Classroom Facilities Capital Project Funds.

During fiscal year 2010, the School District realized an 8 percent increase in cash reserves in the General Fund principally as a result of not purchasing buses. While during fiscal year 2009, the School District realized only a 5 percent increase in cash reserves in the General Fund as a result of lower property tax and income tax revenues.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
UNAUDITED
(Continued)**

During fiscal year 2010, the Bond Retirement debt service fund's property taxes and intergovernmental receipts were sufficient to cover the principal and interest payments for the fiscal year. The Permanent Improvement capital projects fund's property taxes were sufficient to cover the acquisition of assets. The grant from the Ohio School Facilities Commission is expected to be sufficient to cover the cost of construction of the new elementary school and renovations to the existing junior/senior high school. Contracts issued to date are within the budget guidelines established for the project.

During fiscal year 2009, the Building capital projects fund was being depleted as construction of new facilities progressed. The grant from the Ohio School Facilities Commission is expected to be sufficient to cover the cost of construction of the new elementary school and renovations to the existing junior/senior high school. Contracts issued to date are within the budget guidelines established for the project.

General Fund Budgeting Highlights

The School District prepares an annual budget of revenues and expenditures for all funds of the School District for use by School District officials and department heads and prepares such other budgetary documents as are required by State statute, including the annual appropriations ordinance which is effective the first day of July. The School District's most significant budgeted fund is the General Fund. During the course of fiscal years 2010 and 2009, the School District amended its General Fund budget as needed.

For fiscal year 2010 the General Fund, final budgeted revenues decreased .7 percent from the School District's original estimates. The original appropriations were decreased 3.2 percent from fiscal year 2009 expenditures, with decreases for personnel expenses, utilities, and fuel costs. For revenues, changes from the original budget to the final budget as well as from the final budget to actual revenues were not significant. The same can be said for expenditures.

For fiscal year 2009 the General Fund, final budgeted revenues were increased 1.8 percent from the School District's original estimates. The original appropriations were increased 9 percent from fiscal year 2008 expenditures, with increases for personnel expenses, utilities and fuel costs. For revenues, changes from the original budget to the final budget as well as from the final budget to actual revenues were not significant. The same can be said for expenditures.

Current Issues

The School District has substantially completed construction of its building project with the Ohio School Facilities Commission. The renovations to the exiting Junior/Senior High School building were completed over the summer of 2009. A new Elementary building opened on August 31, 2009, as scheduled. The existing elementary building was demolished. The project was completed within budget.

The School District has budgeted \$275,000 for completion of a storage building and a softball complex during fiscal year 2011.

On November 18, 2010, the district repaid \$140,000 of the principal of Certificates of Participation notes and issued renewal notes in the amount of \$1,240,000 with an interest rate of 2.5 percent. It is anticipated that this debt will be retired within ten to fifteen years of its original inception.

Request For Information

This financial report is designed to provide a general overview of the School District's finances for all those interested in our School District's financial well being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Julianne Simon, 575 Greenback Road, PO Box 26, Fort Loramie, Ohio 45845.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2010**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$4,432,927
Cash and Cash Equivalents with Escrow Agent	<u>77,452</u>
Total Assets	<u>4,510,379</u>
Net Assets:	
Restricted for:	
Debt Service	845,803
Capital Projects	616,868
Other Purposes	303,946
Unrestricted	<u>2,743,762</u>
Total Net Assets	<u><u>\$4,510,379</u></u>

See accompanying notes to the basic financial statements.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Program Cash Receipts</u>			Net (Disbursement) Receipt and Change in Net Assets	
	<u>Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Interest</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:					
Instruction:					
Regular	\$3,529,819	\$99,912	\$37,298		(\$3,392,609)
Special	513,207		450,505		(62,702)
Support Services:					
Pupils	600,009	84,815	17,173	\$18,497	(479,524)
Instructional Staff	395,026				(395,026)
Board of Education	18,736				(18,736)
Administration	608,835				(608,835)
Fiscal	220,775				(220,775)
Business	722				(722)
Operation and Maintenance of Plant	673,557		21,765		(651,792)
Pupil Transportation	224,324	166	147,162		(76,996)
Central	60,309		5,000		(55,309)
Non-instructional Services	308,647	270,520	49,500		11,373
Extracurricular Activities	398,864	127,386	14,803		(256,675)
Capital Outlay	4,505,517				(4,505,517)
Debt Service:					
Principal Retirement	1,745,000				(1,745,000)
Interest and Fiscal Charges	448,240				(448,240)
Issuance Costs	8,663				(8,663)
Total Governmental Activities	\$14,260,250	\$582,799	\$743,206	\$18,497	(12,915,748)
General Receipts:					
Property Taxes Levied for:					
General Purposes					1,525,618
OSFC Maintenance					34,390
Debt Service					634,399
Permanent Improvement					130,682
Income Taxes					1,338,130
Grants and Entitlements Not Restricted to Specific Programs					3,843,556
Interest					77,107
Notes Issued					1,380,000
Miscellaneous					44,763
Total General Receipts					9,008,645
Change in Net Assets					(3,907,103)
Net Assets at Beginning of Year					8,417,482
Net Assets at End of Year					\$4,510,379

See accompanying notes to the basic financial statements.

FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	Debt Service	Permanent Improveent	Ohio School Facilities Commission	Other Governmental	Total
Assets:						
Equity in Pooled Cash and Cash Equivalents	\$2,743,568	\$845,803	\$80,789	\$197,882	\$564,691	\$4,432,733
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	194					194
Cash and Cash Equivalents with Escrow Agent				77,452		77,452
Total Assets	<u>\$2,743,762</u>	<u>\$845,803</u>	<u>\$80,789</u>	<u>\$275,334</u>	<u>\$564,691</u>	<u>\$4,510,379</u>
Fund Balances:						
Reserved for Bus Purchases	\$194					\$194
Reserved for Encumbrances	96,015			\$86,819	\$304,638	487,472
Unreserved, Reported in:						
General Fund	2,647,553					2,647,553
Special Revenue Funds					258,877	258,877
Debt Service Fund		845,803				845,803
Capital Projects Funds			80,789	188,515	1,176	270,480
Total Fund Balances	<u>\$2,743,762</u>	<u>\$845,803</u>	<u>\$80,789</u>	<u>\$275,334</u>	<u>\$564,691</u>	<u>\$4,510,379</u>

See accompanying notes to the basic financial statements.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	General	Debt Service	Permanent Improvement	Ohio School Facilities Commission	Other Governmental	Total
Receipts:						
Property Taxes	\$1,525,618	\$634,399	\$130,682		\$34,390	\$2,325,089
Income Taxes	1,338,130					1,338,130
Intergovernmental	3,642,406	96,206	18,708	\$199,471	594,156	4,550,947
Interest	30,908		308	45,756	368	77,340
Tuition and Fees	98,224				2,054	100,278
Charges for Services					270,520	270,520
Extracurricular Activities					212,001	212,001
Gifts and Donations	5,106				48,973	54,079
Miscellaneous	7,756				37,007	44,763
Total Receipts	6,648,148	730,605	149,698	245,227	1,199,469	8,973,147
Disbursements:						
Current:						
Instruction:						
Regular	3,490,403				39,416	3,529,819
Special	423,727				89,480	513,207
Support Services:						
Pupils	350,896				249,113	600,009
Instructional Staff	361,064				33,962	395,026
Board of Education	18,736					18,736
Administration	593,503				15,332	608,835
Fiscal	201,620	14,858	2,966		1,331	220,775
Business	634				88	722
Operation and Maintenance of Plant	417,065			2,035	254,457	673,557
Pupil Transportation	224,324					224,324
Central	44,552				15,757	60,309
Non-instructional Services					308,647	308,647
Extracurricular Activities	270,226				128,638	398,864
Capital Outlay	4,013		5,842	4,354,969	140,693	4,505,517
Debt Service:						
Principal Retirement	20,000	265,000	1,460,000			1,745,000
Interest and Fiscal Charges		396,440	51,800			448,240
Issuance Costs			8,663			8,663
Total Disbursements	6,420,763	676,298	1,529,271	4,357,004	1,276,914	14,260,250
Excess of Receipts Over (Under) Disbursements	227,385	54,307	(1,379,573)	(4,111,777)	(77,445)	(5,287,103)
Other Financing Sources (Uses):						
Notes Issued			1,380,000			1,380,000
Advances In	1,272				152	1,424
Advances Out	(152)				(1,272)	(1,424)
Transfers In					211,851	211,851
Transfers Out	(18,369)			(193,482)		(211,851)
Total Other Financing Sources (Uses)	(17,249)		1,380,000	(193,482)	210,731	1,380,000
Changes in Fund Balances	210,136	54,307	427	(4,305,259)	133,286	(3,907,103)
Fund Balances at Beginning of Year	2,533,626	791,496	80,362	4,580,593	431,405	8,417,482
Fund Balances at End of Year	\$2,743,762	\$845,803	\$80,789	\$275,334	\$564,691	\$4,510,379

See accompanying notes to the basic financial statements.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		(Under)
Receipts:				
Property Taxes	\$1,512,000	\$1,493,000	\$1,525,618	\$32,618
Income Taxes	1,365,050	1,339,050	1,338,130	(920)
Intergovernmental	3,657,260	3,657,260	3,642,406	(14,854)
Interest	39,900	39,900	30,908	(8,992)
Tuition and Fees	94,450	94,450	98,224	3,774
Gifts and Donations	17,000	17,000	5,106	(11,894)
Miscellaneous	8,220	8,220	7,756	(464)
Total Receipts	6,693,880	6,648,880	6,648,148	(732)
Disbursements:				
Current:				
Instruction:				
Regular	3,487,340	3,487,304	3,428,536	58,768
Special	410,409	424,409	423,931	478
Other	65,068	73,268	69,931	3,337
Support Services:				
Pupils	360,582	360,582	353,679	6,903
Instructional Staff	380,654	380,654	372,422	8,232
Board of Education	23,202	23,202	23,182	20
Administration	663,417	663,417	604,259	59,158
Fiscal	205,781	211,781	211,456	325
Business	1,284	1,284	634	650
Operation and Maintenance of Plant	535,827	487,627	452,037	35,590
Pupil Transportation	261,628	261,628	240,777	20,851
Central	45,281	45,281	44,552	729
Extracurricular Activities	269,027	282,527	271,382	11,145
Debt Service:				
Principal	20,000	20,000	20,000	
Total Disbursements	6,729,500	6,722,964	6,516,778	206,186
Excess of Receipts Over (Under) Disbursements	(35,620)	(74,084)	131,370	205,454
Other Financing Sources (Uses):				
Refund of Prior Year Receipts	(300)	(300)		300
Advances In	1,272	1,272	1,272	
Advances Out			(152)	(152)
Transfers Out	(10,000)	(19,500)	(18,369)	1,131
Total Other Financing Sources (Uses)	(9,028)	(18,528)	(17,249)	1,279
Changes in Fund Balance	(44,648)	(92,612)	114,121	206,733
Fund Balance at Beginning of Year	2,408,828	2,408,828	2,408,828	
Prior Year Encumbrances Appropriated	124,798	124,798	124,798	
Fund Balance at End of Year	\$2,488,978	\$2,441,014	\$2,647,747	\$206,733

See accompanying notes to the basic financial statements.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CASH BASIS NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010**

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$46,613</u>
Net Assets:	
Held for Students	<u>45,722</u>
Total Net Assets	<u>\$45,722</u>

See accompanying notes to the basic financial statements.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2009**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$8,213,897
Cash and Cash Equivalents with Escrow Agent	<u>203,585</u>
Total Assets	<u>8,417,482</u>
Net Assets:	
Restricted for:	
Debt Service	791,496
Capital Projects	4,834,318
Other Purposes	258,042
Unrestricted	<u>2,533,626</u>
Total Net Assets	<u><u>\$8,417,482</u></u>

See accompanying notes to the basic financial statements.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Program Cash Receipts				Net (Disbursement) Receipt and Change in Net Assets
	Disbursements	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$3,476,253	\$126,710	\$27,345	\$6,982	(\$3,315,216)
Special	486,465		426,830		(59,635)
Support Services:					
Pupils	598,183	44,321	8,645	2,259	(542,958)
Instructional Staff	358,184				(358,184)
Board of Education	40,239				(40,239)
Administration	647,142				(647,142)
Fiscal	226,260				(226,260)
Business	6,875				(6,875)
Operation and Maintenance of Plant	764,662		4,945		(759,717)
Pupil Transportation	390,300	2,073	6,336	6,044	(375,847)
Central	54,462		5,000		(49,462)
Non-instructional Services	290,115	261,186	42,251		13,322
Extracurricular Activities	406,524	100,319	5,195	5,243	(295,767)
Capital Outlay	10,838,988				(10,838,988)
Debt Service:					
Principal Retirement	1,739,780				(1,739,780)
Interest and Fiscal Charges	610,010				(610,010)
Issuance Costs	8,200				(8,200)
Total Governmental Activities	\$20,942,642	\$534,609	\$526,547	\$20,528	(19,860,958)
General Receipts:					
Property Taxes Levied for:					
General Purposes					1,519,517
OSFC Maintenance					34,610
Debt Service					677,132
Permanent Improvement					131,516
Income Taxes					1,456,223
Grants and Entitlements Not Restricted to Specific Programs					6,390,247
Interest					370,818
Notes Issued					1,480,000
Miscellaneous					66,711
Total General Receipts					12,126,774
Change in Net Assets					(7,734,184)
Net Assets at Beginning of Year					16,151,666
Net Assets at End of Year					\$8,417,482

See accompanying notes to the basic financial statements.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2009**

	<u>General</u>	<u>Building</u>	<u>Ohio School Facilities Commission</u>	<u>Other Governmental</u>	<u>Total</u>
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$2,533,432	\$173,363	\$4,377,008	\$1,129,900	\$8,213,703
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	194				194
Cash and Cash Equivalents with Escrow Agent			203,585		203,585
Total Assets	<u>2,533,626</u>	<u>173,363</u>	<u>4,580,593</u>	<u>1,129,900</u>	<u>8,417,482</u>
Fund Balances:					
Reserved for Bus Purchases	194				194
Reserved for Encumbrances	124,798	112,706	3,986,850	22,491	4,246,845
Unreserved, Reported in:					
General Fund	2,408,634				2,408,634
Special Revenue Funds				235,551	235,551
Debt Service Fund				791,496	791,496
Capital Projects Funds		60,657	593,743	80,362	734,762
Total Fund Balances	<u>\$2,533,626</u>	<u>\$173,363</u>	<u>\$4,580,593</u>	<u>\$1,129,900</u>	<u>\$8,417,482</u>

See accompanying notes to the basic financial statements.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>General</u>	<u>Building</u>	<u>Ohio School Facilities Commission</u>	<u>Other Governmental</u>	<u>Total</u>
Receipts:					
Property Taxes	\$1,519,517			\$843,258	\$2,362,775
Income Taxes	1,456,223				1,456,223
Intergovernmental	3,798,284		\$2,725,630	383,710	6,907,624
Interest	81,874	\$89,442	193,022	6,917	371,255
Tuition and Fees	105,436				105,436
Charges for Services	19,971			261,186	281,157
Extracurricular Activities				144,640	144,640
Gifts and Donations	3,376	6,982		22,279	32,637
Miscellaneous	8,944	19,290		38,477	66,711
Total Receipts	<u>6,993,625</u>	<u>115,714</u>	<u>2,918,652</u>	<u>1,700,467</u>	<u>11,728,458</u>
Disbursements:					
Current:					
Instruction:					
Regular	3,452,629			23,624	3,476,253
Special	431,857			54,608	486,465
Support Services:					
Pupils	418,290	2,020		177,873	598,183
Instructional Staff	348,339			9,845	358,184
Board of Education	40,239				40,239
Administration	624,559	1,150		21,433	647,142
Fiscal	205,742			20,518	226,260
Business	636	6,239			6,875
Operation and Maintenance of Plant	573,982	179,268		11,412	764,662
Pupil Transportation	390,300				390,300
Central	41,851	548		12,063	54,462
Non-instructional Services				290,115	290,115
Extracurricular Activities	252,720	34,790		119,014	406,524
Capital Outlay		2,684,113	8,013,477	141,398	10,838,988
Debt Service:					
Principal Retirement	50,000			1,689,780	1,739,780
Interest and Fiscal Charges				610,010	610,010
Issuance Costs				8,200	8,200
Total Disbursements	<u>6,831,144</u>	<u>2,908,128</u>	<u>8,013,477</u>	<u>3,189,893</u>	<u>20,942,642</u>
Excess of Receipts Over (Under) Disbursements	<u>162,481</u>	<u>(2,792,414)</u>	<u>(5,094,825)</u>	<u>(1,489,426)</u>	<u>(9,214,184)</u>
Other Financing Sources (Uses):					
Notes Issued				1,480,000	1,480,000
Advances In	3,206			4,326	7,532
Advances Out	(4,326)			(3,206)	(7,532)
Transfers In		43,010		6,000	49,010
Transfers Out	(49,010)				(49,010)
Total Other Financing Sources (Uses)	<u>(50,130)</u>	<u>43,010</u>		<u>1,487,120</u>	<u>1,480,000</u>
Changes in Fund Balances	112,351	(2,749,404)	(5,094,825)	(2,306)	(7,734,184)
Fund Balances at Beginning of Year	<u>2,421,275</u>	<u>2,922,767</u>	<u>9,675,418</u>	<u>1,132,206</u>	<u>16,151,666</u>
Fund Balances at End of Year	<u>\$2,533,626</u>	<u>\$173,363</u>	<u>\$4,580,593</u>	<u>\$1,129,900</u>	<u>\$8,417,482</u>

See accompanying notes to the basic financial statements.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Receipts:				
Property and Other Local Taxes	\$1,410,260	\$1,518,260	\$1,519,517	\$1,257
Income Tax	1,432,000	1,449,000	1,456,223	7,223
Intergovernmental	3,797,150	3,797,150	3,798,284	1,134
Interest	87,000	87,000	81,874	(5,126)
Tuition and Fees	109,000	109,000	105,436	(3,564)
Gifts and Donations			3,376	3,376
Customer Sales and Services	22,000	22,000	19,971	(2,029)
Miscellaneous	6,680	6,680	8,944	2,264
Total Receipts	<u>6,864,090</u>	<u>6,989,090</u>	<u>6,993,625</u>	<u>4,535</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,395,228	3,447,385	3,399,313	48,072
Special	409,640	452,166	433,433	18,733
Vocational	879	879		879
Other	91,870	77,770	73,957	3,813
Support Services:				
Pupils	435,195	434,190	422,559	11,631
Instructional Staff	365,167	369,435	358,507	10,928
Board of Education	33,010	42,737	41,458	1,279
Administration	636,586	668,447	662,011	6,436
Fiscal	201,967	207,816	207,759	57
Business	700	1,336	1,270	66
Operation and Maintenance of Plant	646,913	624,174	594,354	29,820
Pupil Transportation	375,146	418,902	399,224	19,678
Central	45,006	45,256	42,751	2,505
Extracurricular Activities:				
Academic Oriented Activities	28,452	34,352	34,315	37
Occupation Oriented Activities	1,529	2,029	1,758	271
Sport Oriented Activities	195,514	218,154	216,153	2,001
School and Public Service Co-Curricular Activities	16,241	17,741	17,120	621
Debt Service:				
Principal	50,000	50,000	50,000	
Total Expenditures	<u>6,929,043</u>	<u>7,112,769</u>	<u>6,955,942</u>	<u>156,827</u>
Excess of Revenues Over (Under) Expenditures	<u>(64,953)</u>	<u>(123,679)</u>	<u>37,683</u>	<u>161,362</u>
Other Financing Sources and Uses:				
Advances In			3,206	3,206
Transfers Out	(61,687)	(51,087)	(49,010)	2,077
Advances Out		(4,000)	(4,326)	(326)
Total Other Financing Sources and Uses	<u>(61,687)</u>	<u>(55,087)</u>	<u>(50,130)</u>	<u>4,957</u>
Net Change in Fund Balances	(126,640)	(178,766)	(12,447)	166,319
Fund Balance (Deficit) at Beginning of Year	2,308,646	2,308,646	2,308,646	
Prior Year Encumbrances Appropriated	112,629	112,629	112,629	
Fund Balance (Deficit) at End of Year	<u>\$2,294,635</u>	<u>\$2,242,509</u>	<u>\$2,408,828</u>	<u>\$166,319</u>

See accompanying notes to the basic financial statements.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CASH BASIS NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009**

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$48,736</u>
Net Assets:	
Held for Students	48,313
Held for Staff	<u>423</u>
Total Net Assets	<u>\$48,736</u>

See accompanying notes to the basic financial statements.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Fort Loramie Local School District (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 1862 through the consolidation of existing land areas and school districts. The School District serves an area of approximately forty-two square miles. It is located in Darke and Shelby Counties. The School District is the 526th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by thirty classified employees, fifty-two certified teaching personnel, and five administrative employees who provide services to 829 students and other community members. The School District currently operates two instructional/support buildings.

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 Fort Loramie Local School District, this includes general operations, food service, 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 Fort Loramie Local School District.

The School District participates in four jointly governed organizations and two insurance pools. These organizations are the Shelby County Local Professional Development Committee, Southwestern Ohio Educational Purchasing Council, Upper Valley Joint Vocational School, Western Ohio Computer Organization, Ohio Association of School Business Officials' Workers' Compensation Group Rating Plan and Shelby County Schools Consortium. These organizations are presented in Notes 14 and 15 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

1. 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. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental receipts) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services, and grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

2. 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. Non-major funds are aggregated and presented in a single column. 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 divided into two categories, governmental and fiduciary.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The School District's fiscal year 2010 major funds are the General Fund, Debt Service Fund, Permanent Improvement and Ohio School Facilities Commission capital projects funds. While the School District's 2009 fiscal year major funds are the General Fund, and Building and Ohio School Facilities Commission capital projects 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.

Debt Service Fund - The Bond Retirement debt service fund is used to account for the accumulation of resources for, and the payment of principal, interest, and related costs of the general obligation bonds.

Permanent Improvement Fund - The Permanent Improvement capital projects fund accounts for the acquisition, construction, or improvement of capital facilities.

Building Fund - The Building capital projects fund accounts for bond proceeds used to acquire, construct, or improve capital facilities based on locally funded initiatives.

Ohio School Facilities Fund - The Ohio School Facilities capital projects fund is used to account for the construction and renovation of the School District's buildings. The project is being funded with local taxes and a grant from the Ohio School Facilities Commission.

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

2. Fiduciary Funds

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. The School District does not have any trust funds. 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 staff generated revenues for non-instructional activities and various student-managed activities.

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in the financial statements.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the schedule of tax funds, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The schedule of tax funds indicates the projected receipts and disbursements for those funds receiving tax monies. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations 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 control has been established by the Board at the function level for the General, Debt Service and Lunchroom funds and the fund level for all other funds. Budgetary allocations at the object level within the General Debt Service and Lunchroom funds and the function and object level for all other funds are made by the 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 appropriations 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 appropriations 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.

E. 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".

Cash and cash equivalents that are held separately by an escrow agent for the payment of retainage to contractors upon project completion are recorded as "Cash and Cash Equivalents with Escrow Agent".

During both fiscal years 2010 and 2009, the School District's investments included nonnegotiable certificates of deposit, federal securities, money market accounts, and STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for at on June 30 of each respective fiscal year.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2010 was \$30,908, which included \$9,383 assigned from other School District funds. While interest revenue credited to the General Fund during fiscal year 2009 was \$81,874, which included \$22,082 assigned from other School District funds.

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.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

F. 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 law through constitutional provisions or enabling legislation.

Restricted assets in the General Fund include amounts required by State statute to be spent for the purchase of school buses.

The School District has resources set aside in separate escrow accounts whose use is limited to the payment of retainage to contractors.

G. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

H. Compensated Absences

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the School District.

I. Long-Term Obligations

Cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when disbursements are made.

J. Net 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 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.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Fund Balance Reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use and not available for appropriation or disbursement. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. A fund balance reserve has been established for bus purchases and encumbrances.

L. Interfund Activity

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements 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. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

3. DEPOSITS AND INVESTMENTS

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active 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 the Board 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 monies 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 deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the School District may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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;

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or any other obligation or security 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;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Bankers' acceptances and commercial paper if training requirements have been met.

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.

A. Investments

The School District's investments at June 30, 2010 were as follows:

	Fair Value	Credit Rating	Investment Maturity (in Years)	
			Less than 1	1 – 3
STAR Ohio	\$ 561,747	AAAm ¹	\$ 561,747	
Fifth/Third Govt. Money Market	562,728	AAAm ¹	562,728	
Federal Home Loan Bank Bonds	150,000	AAA ¹ , Aaa ²		\$150,000
Total Investments	\$1,274,475		\$1,124,475	\$150,000

The School District's investments at June 30, 2009 were as follows:

	Fair Value	Credit Rating	Investment Maturity (in Years)	
			Less than 1	1 – 3
STAR Ohio	\$ 634,889	AAAm ¹	\$ 634,889	
Fifth/Third Govt. Money Market	1,575,971	AAAm ¹	1,575,971	
Federal Home Loan Bank Bonds	1,330,000	AAA ¹ , Aaa ²	730,000	\$ 600,000
Federal National Mort. Assoc. Notes	400,000	AAA ¹ , Aaa ²		400,000
Total Investments	\$3,940,860		\$2,940,860	\$1,000,000

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

¹ Standard & Poor's

² Moody's Investor Service

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the School District from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless matched to a specific obligation or debt of the School District.

The School District has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that mutual funds must consist of obligations listed in items 1 and 2 on page 30 and STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

The School District places no limit on the amount it may invest in any one issuer. At June 30, 2010, the Federal Home Loan Bank Bonds were 11.77 percent of the total investment portfolio. While at June 30, 2009, the Federal Home Loan Bank Bonds were 33.75 percent and Federal National Mortgage Association Notes were 10.15 percent of the total investment portfolio.

4. 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 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, 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 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, 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.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
(Continued)**

4. PROPERTY TAXES (Continued)

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 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 Darke and Shelby Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2010 taxes were collected are:

	2009 Second- Half Collections		2010 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$75,046,420	97.34%	\$80,585,600	97.64%
Public Utility	1,912,200	2.48	1,894,200	2.29
Tangible Personal	140,790	0.18	56,730	0.07
Total Assessed Value	<u>\$77,099,410</u>	<u>100.00%</u>	<u>\$82,536,530</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$48.87		\$47.50	

The assessed values upon which fiscal year 2009 taxes were collected are:

	2008 Second- Half Collections		2009 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$72,486,480	95.30%	\$75,046,420	97.34%
Public Utility	1,933,670	2.54	1,912,200	2.48
Tangible Personal	1,644,110	2.16	140,790	0.18
Total Assessed Value	<u>\$76,064,260</u>	<u>100.00%</u>	<u>\$77,099,410</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$48.87		\$48.87	

5. INCOME TAX

The School District currently levies a voted tax of 1.5 percent for general operations on the income of residents and estates. Initially, the tax of .75 percent was effective on January 1, 1995 through December 1999. In May 1999 and March 2005, the .75 percent tax has been renewed for additional five-year periods, effective through December 31, 2009. The School District passed a levy for an additional .75 percent, effective January 1, 2006 through December 31, 2009. In May 2009, the School District passed a levy for a combined 1.5 percent, effective January 1, 2010 through December 31, 2014. 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.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
(Continued)**

6. 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. During fiscal year 2010, the School District contracted for the following insurance coverage.

Indiana Insurance	
Building and Contents - Replacement cost (\$1,000 deductible - 100% co-insurance)	\$24,488,500
Inland Marine Coverage (\$1,000 deductible)	1,500,000
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000
Medical Payments per person	5,000
General Liability	
Per occurrence	1,000,000
Annual Aggregate	2,000,000
Excess Liability (\$10,000 self insurance)	
Per occurrence	2,000,000
Annual Aggregate	2,000,000

During fiscal year 2009, the School District also had \$11,501,048 Great American Insurance Group Builders Risk coverage related to the Ohio School Facilities Commission construction project. 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 both fiscal years 2010 and 2009, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (the Plan), an insurance purchasing pool. 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 Company, 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 Company provides administrative, cost control, and actuarial services to the Plan.

7. CONTRACTUAL OBLIGATIONS

As of June 30, 2010, the School District had the following contractual obligations:

<u>Company</u>	<u>Project</u>	<u>Amount Remaining on Contract</u>
Baumer Construction, Inc.	Softball Complex	\$ 221,275
Dan Eilerman Construction	Maintenance Building	30,524
Farnham Equipment Company	Loose Furnishings	17,949
Freytag & Associates	Design Services	13,203
Touchstone CPM	Construction Management Services	20,580

As of June 30, 2009, the School District had the following contractual obligations:

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
(Continued)**

7. CONTRACTUAL OBLIGATIONS (Continued)

<u>Company</u>	<u>Project</u>	<u>Amount Remaining on Contract</u>
A-1 Products	Scoreboard	\$ 1,600
C & T Design	Kitchen Equipment and Systems	106,487
Chapel Romanoff Technologies	Audio-Visual Equipment	227,950
Chapel Romanoff Technologies	Technology Systems	136,212
Cotterman & Company	Roofing Contract	83,471
Farnham Equipment Company	Loose Furnishings	394,172
Four Seasons Environmental	Maintenance Plan	10,231
Freytag & Associates	Design Service	140,789
Lepi Enterprises	Asbestos Abatement	6,925
LOGOS Communications	Telecommunications Equipment	398,795
Miami Environmental Group	Asbestos Abatement Documentation	16,695
Peterson Construction Company	General Trades, Site Work Contracts	1,747,413
S. A. Communale	Fire Suppression Systems	27,072
Service Supply LLC	Playground Equipment	86,038
Slagle Mechanical Contractors	Mechanical System	204,105
Slagle Mechanical Contractors	Plumbing Systems	45,563
Sollman Electric	Electrical Contract	248,187
The Osborn Engineering Company	Commissioning Services	34,000
Touchstone CPM	Construction Management Services	266,129
Vision Pro	Interactive Presentation Boards	64,000
Wenger Corporation	Music and State Equipment	45,001
Total		<u>\$4,290,835</u>

8. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

Plan Description - The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP allows members to place all 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the 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. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

A DBP or CP member with five or more years 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 of the DCP dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 was \$401,328, \$402,799, and \$428,472 respectively; 83 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions for the DCP and CP for the fiscal year ended June 30, 2010, were \$7,032 made by the School District and \$6,106 made by plan members.

B. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer public employee retirement plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 was \$107,255, \$75,389, and \$86,053, respectively; 46 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

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, 2010 and June 30, 2009, four of the five Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

9. POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

Plan Description - The School District contributes to a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which may be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contribution for health care for the fiscal years ended June 30, 2010, 2009, and 2008 was \$31,258, \$31,320, and \$30,861 respectively; 83 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. School Employees Retirement System

Plan Description - The School District contributes to two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan, and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2010, .46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2010, this amount was \$12,674.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
(Continued)**

9. POSTEMPLOYMENT BENEFITS (Continued)

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

The School District's contribution for health care for the fiscal years ended June 30, 2010, 2009, and 2008 was, \$4,028, \$34,502, and \$26,750 respectively; 46 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2010, this actuarially required allocation was .76 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 was \$6,378, \$6,220, and \$5,318 respectively; 46 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

10. 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 ten to twenty days of vacation per year, depending upon length of service. The technology coordinator earns twenty days of vacation per year. Accumulated unused vacation time is paid to classified employees and the technology coordinator 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. All employees may accumulate an unlimited number of sick leave days. Upon retirement, payment is made for 25 percent of a maximum of 225 of their accrued but unused sick leave credit plus one day for each day accumulated over 225, to a maximum of sixty and one-quarter (60.25) days for all employees.

B. Health Care Benefits

The School District provides medical/surgical benefits and dental insurance to most employees through the Shelby County Schools Consortium, which currently purchases these coverages from Anthem Life Insurance of Indiana and Anthem Blue Cross/Blue Shield. The employees share the cost of the monthly premium for health/surgical coverage with the Board, the premium varying for each employee depending on the terms of the union contracts. Optical Insurance is provided by the School District to most employees through Vision Plus of America. The School District provides life insurance and accidental death and dismemberment insurance to most employees through Sun Life Insurance Company.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
(Continued)**

11. LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2010 were as follows:

	<u>Balance at 6/30/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/10</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
General Long-Term Obligations					
<u>Refunding 1998 Bond</u>					
Serial and Term Bonds					
4.00 - 4.20%	\$ 4,535,000		\$ 185,000	\$ 4,350,000	\$190,000
Capital Appreciation Bonds					
7.105%	289,998			289,998	
<u>2007 School Facilities Issue</u>					
Serial and Term Bonds					
4.00 - 4.25%	5,220,000		80,000	5,140,000	85,000
Capital Appreciation Bonds					
18.238%	65,999			65,999	
Total General Obligation Bonds	<u>10,110,997</u>		<u>265,000</u>	<u>9,845,997</u>	<u>275,000</u>
Other Long-Term Obligations					
Certificates of Participation	1,480,000	\$1,380,000	1,480,000	1,380,000	140,000
Total Long-Term Obligations	<u>\$11,590,997</u>	<u>\$1,380,000</u>	<u>\$1,745,000</u>	<u>\$11,225,997</u>	<u>\$415,000</u>

Changes in the School District's long-term obligations during fiscal year 2009 were as follows:

	<u>Balance at 6/30/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/09</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
General Long-Term Obligations					
<u>1998 School Facilities Issue</u>					
Capital Appreciation Bonds					
16.25 -19%	\$ 34,780		\$ 34,780		
<u>Refunding 1998 Bond</u>					
Serial and Term Bonds					
4.00 - 4.20%	4,545,000		10,000	\$ 4,535,000	\$185,000
Capital Appreciation Bonds					
7.105%	289,998			289,998	
<u>2007 School Facilities Issue</u>					
Serial and Term Bonds					
4.00 - 4.25%	5,300,000		80,000	5,220,000	80,000
Capital Appreciation Bonds					
18.238%	65,999			65,999	
Total General Obligation Bonds	<u>10,235,777</u>		<u>124,780</u>	<u>10,110,997</u>	<u>265,000</u>
Other Long-Term Obligations					
Certificates of Participation	1,615,000	\$1,480,000	1,615,000	1,480,000	100,000
Total Long-Term Obligations	<u>\$11,850,777</u>	<u>\$1,480,000</u>	<u>\$1,739,780</u>	<u>\$11,590,997</u>	<u>\$365,000</u>

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
(Continued)**

11. LONG-TERM OBLIGATIONS (Continued)

1998 School Facilities Issue

On July 28, 1998, the Board of Education issued bonds \$6,049,946 in voted general obligation bonds for the purpose of constructing, improving and making additions to school buildings and related site development, under special needs provisions of Section 133.06(E) Revised Code. The bond issue included serial, term and capital appreciation bonds in the amount of \$2,970,000; \$2,970,000; and \$109,946; respectively. The serial and term bonds were refunded in fiscal year 2007. The capital appreciation bonds were retired in fiscal year 2009 with a voted property tax levy received in the debt service fund.

The capital appreciation bonds will mature in fiscal years 2007 through 2009. The maturity amount of the bonds was \$525,000.

2006 School Improvement Refunding Bonds

On August 22, 2006, the Board of Education issued \$4,909,998 in general obligation bonds for the purpose of refunding the 1998 School Facilities Issue. The bond issue included serial, term and capital appreciation bonds in the amount of \$3,621,000; \$990,000; and \$289,998; respectively. The bonds will be retired with a voted property tax levy received in the debt service fund.

The refunding bonds have interest rates from 4 to 7.1 percent and refunded \$4,910,000 of the 1998 School Facilities general obligation bonds. All of the refunded debt has been paid.

The term bonds maturing on December 1, 2026, are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to commence on December 1, 2024, (with the balance of \$235,000 to be paid at stated maturity on December 1, 2026) at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2024	\$370,000
2025	385,000
2026	235,000

The Current Interest Bonds maturing after December 1, 2016, are subject to optional redemption, in whole or in part on any date at the option of the Issuer on or after December 1, 2015 at par plus accrued interest to the date of redemption at a price of par; which is 100 percent of the face of the Bonds. If fewer than all of the outstanding Bonds of a single maturity are called for redemption, the selection of Bonds to be redeemed, or portions thereof in amounts of \$5,000 or any integral multiple thereof, shall be made by lot by the Paying Agent and Registrar in any manner which the Paying Agent and Registrar may determine.

The capital appreciation bonds will mature in fiscal years 2015 through 2016. The maturity amount of the bonds is \$535,000.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
(Continued)**

11. LONG-TERM OBLIGATIONS (Continued)

2007 Classroom Facilities Bonds

On March 7, 2007, the Board of Education issued \$5,425,999 to construct a new elementary school and renovate the existing junior high/high school under the State of Ohio Classroom Facilities Assistance Program. The bond issue included serial, term and capital appreciation bonds in the amount of \$575,000; \$4,785,000; and \$65,999; respectively. The bonds will be retired with a voted property tax levy received in the debt service fund.

The Bonds maturing on December 1, 2019 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1, in the years and in the respective principal amounts as follows:

<u>Redemption Date (December 1)</u>	<u>Principal Amount Subject to Mandatory Redemption</u>
2017	\$100,000
2018	100,000

Unless previously redeemed, the remaining balance of \$105,000 will be redeemed at maturity on December 1, 2019.

The Bonds maturing on December 1, 2021, are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1, in the years and in the respective principal amounts as follows:

<u>Redemption Date (December 1)</u>	<u>Principal Amount Subject to Mandatory Redemption</u>
2020	\$110,000

Unless previously redeemed, the remaining balance of \$115,000 will be redeemed at maturity on December 1, 2021.

The Bonds maturing on December 1, 2023, are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1, in the years and in the respective principal amounts as follows:

<u>Redemption Date (December 1)</u>	<u>Principal Amount Subject to Mandatory Redemption</u>
2022	\$120,000

Unless previously redeemed, the remaining balance of \$125,000 will be redeemed at maturity on December 1, 2023.

The Bonds maturing on December 1, 2025, are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1, in the years and in the respective principal amounts as follows:

<u>Redemption Date (December 1)</u>	<u>Principal Amount Subject to Mandatory Redemption</u>
2024	\$130,000

Unless previously redeemed, the remaining balance of \$155,000 will be redeemed at maturity on December 1, 2025.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
(Continued)**

11. LONG-TERM OBLIGATIONS (Continued)

The Bonds maturing on December 1, 2027, are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1, in the years and in the respective principal amounts as follows:

Redemption Date (December 1)	Principal Amount Subject to Mandatory Redemption
2026	\$315,000

Unless previously redeemed, the remaining balance of \$330,000 will be redeemed at maturity on December 1, 2027.

The Bonds maturing on December 1, 2029, are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1, in the years and in the respective principal amounts as follows:

Redemption Date (December 1)	Principal Amount Subject to Mandatory Redemption
2028	\$340,000

Unless previously redeemed, the remaining balance of \$355,000 will be redeemed at maturity on December 1, 2029.

The Bonds maturing on December 1, 2035, are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1, in the years and in the respective principal amounts as follows:

Redemption Date (December 1)	Principal Amount Subject to Mandatory Redemption
2030	\$370,000
2031	385,000
2032	405,000
2033	420,000
2034	440,000

Unless previously redeemed, the remaining balance of \$365,000 will be redeemed at maturity on December 1, 2035.

The Current Interest Bonds maturing on or after December 1, 2018, are subject to optional redemption, in whole or in part on any date at the option of the Issuer on or after June 1, 2017 at par plus accrued interest to the date of redemption at a price of par; which is 100 percent of the face of the Bonds.

The capital appreciation bonds will mature in fiscal years 2014 through 2016. The maturity amount of the bonds is \$300,000.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
(Continued)**

11. LONG-TERM OBLIGATIONS (Continued)

Certificates of Participation Notes

On November 20, 2007, the School District entered into a lease agreement with the PS & W Holding Company, Inc. for acquisition and construction of additional classrooms in the Pre-Kindergarten through Sixth Grade building being constructed in partnership with the Ohio School Facilities Commission. PS & W Holding Company, Inc. entered into an agreement with a trustee through which it assigned and transferred its rights, title, and interest under the lease to U.S. Bank, National Association, as Trustee. The Trustee issued Certificates of Participation notes in the lease agreement enabling holders of the Certificates to receive a portion of the semiannual lease payments. Proceeds from the issuance of the Certificates were used to construct the additional classrooms.

The obligation of the School District under the lease and any subsequent lease renewal is subject to the annual appropriation of the rental payments. Legal title to the facilities remains with the trustee until all payments required under the lease have been made. At that time, title will be transferred to the School District. In the event the School District defaults on the lease, after thirty days the lessor may lease the campus to a new tenant. Under terms of the lease agreement, the School District may not lease, acquire, or allocate funds to acquire functionally similar facilities for thirty days after default. The lease obligation will be paid from the Bond Retirement debt service fund.

The Certificates of Participation notes are not a general obligation of the School District and are payable only from appropriations by the School District for annual lease payments.

The School District's overall legal debt margin was (\$1,747,490) with an unvoted debt margin of \$80,586 at June 30, 2010. On July 27, 2006, the Tax Equalization Department approved the School District as a Special Needs District that allows them to have a negative debt margin.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2010, were as follows:

Fiscal year	General Obligation Bonds		Capital Appreciation	
	Principal	Interest	Principal	Interest
2011	\$ 275,000	\$ 385,640		
2012	285,000	374,440		
2013	325,000	362,240		
2014	345,000	444,022		
2015		350,223	\$174,636	\$190,364
2016-2020	1,450,000	1,498,759	181,361	288,639
2021-2025	2,310,000	1,190,033		
2026-2030	2,115,000	701,307		
2033-2035	2,020,000	299,625		
2036	365,000	7,756		
Totals	\$9,490,000	\$5,614,047	\$355,997	\$479,003

The interest on the capital appreciation bonds represents the accretion of the deep-discounted bonds from the initial value at the time of issuance to their value at final maturity.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
(Continued)**

12. SET ASIDES

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years.

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2010.

	Textbooks	Capital Improvements
Balance as of June 30, 2009	(\$425,844)	
Current Year Requirements	135,940	\$135,940
Current Year Offsets		(135,940)
Qualifying Disbursements	(174,514)	
Balance as of June 30, 2010	(\$464,418)	\$ 0

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2009.

	Textbooks	Capital Improvements
Balance as of June 30, 2008	(\$368,177)	
Current Year Requirements	125,254	\$125,254
Current Year Offsets		(125,254)
Qualifying Disbursements	(182,921)	
Balance as of June 30, 2009	(\$425,844)	\$ 0

The School District had qualifying expenditures and offsets during the fiscal year that reduced the set-asides amount below zero. This amount may be used to reduce the set aside requirements of future fiscal years.

13. INTERFUND TRANSFERS

During fiscal year 2010, the General Fund made transfers to the Building capital projects fund and to other governmental funds, in the amounts of \$9,369 and \$9,000, respectively, to subsidize operations. The Ohio School Facilities Commission capital projects fund transferred \$193,482 to the Building Fund to reallocate bond proceeds as directed by the Ohio School Facilities Commission.

During fiscal year 2009, the General Fund made transfers to the Building capital projects fund and to other governmental funds, in the amounts of \$43,010 and \$6,000, respectively, to subsidize operations.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
(Continued)**

14. JOINTLY GOVERNED ORGANIZATIONS

A. Shelby County Local Professional Development Committee

The School District is a participant in the Shelby County Local Professional Development Committee (the Committee) which is a regional council of governments established to provide professional educator license renewal standards and procedures. The Committee is an association of public school districts within the boundaries of Shelby County. The committee is governed by a twelve member board made up of eight teachers, one building principal, one superintendent, one treasurer, and one administrator employed by the Shelby County Educational Service Center with terms of two years. 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 Shelby County Educational Service Center, 129 East Court Street, Sidney, Ohio 45365

B. Southwestern Ohio Educational Purchasing Council (SOEPC)

The Southwestern Ohio Educational Purchasing Council (SOEPC) was established in 1986 to foster cooperation among educational entities located in southwestern Ohio. The SOEPC is organized under Ohio law as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. The SOEPC is governed by an elected Board consisting of 10 representatives of the educational entities and the Montgomery County Educational Service Center superintendent. The Board, except for the Superintendent of the Montgomery County Educational Service Center, is elected from an Assembly consisting of a representative from each participating educational entity. Financial information can be obtained from the Ohio Educational Purchasing Council, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45337.

C. Upper Valley Joint Vocational School

The Upper Valley Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of representatives from some of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Upper Valley Joint Vocational School, 8811 Career Drive, Piqua, Ohio 45356.

D. Western Ohio Computer Organization (WOCO)

The Fort Loramie Local School District is a participant in the Western Ohio Computer Organization, which is a computer consortium. WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, Miami, and Shelby counties. WOCO 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 districts.

The superintendent of each member district is seated on the assembly which elects a Board of Directors for the consortium, and approves major items proposed by the Board of Directors, such as the annual budget, fees schedule, and new cooperative ventures. The Board of Directors is comprised of eleven members, including two superintendents from member districts in each county and the superintendent of the entity serving as its fiscal agent (currently the Shelby County Educational Service Center). Financial information can be obtained from Shelby County Educational Service Center, 129 East Court Street, Sidney, Ohio 45365.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND JUNE 30, 2009
(Continued)**

15. INSURANCE POOLS

A. Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The OASBO Workers' Compensation Group Rating Plan (Plan) was established through the Ohio Association of School Business Officials as an insurance purchasing pool. The Plan's business and affairs are conducted by the five member OASBO Board of Directors. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

B. Shelby County Schools Consortium

The Shelby County Schools Consortium (the Consortium) is a group purchasing pool among seven local school districts and the Shelby County Educational Service Center. The purpose of the Consortium is to achieve more favorable rates for employee insurance by creating a larger pool on which to base the insurance experience. The Consortium acts together to provide health/surgical, dental and term-life benefits to its participants at a lower rate than if individual districts acted independently.

Each district pays monthly premiums to the provider, currently Community Insurance Corporation, doing business as Anthem Blue Cross/Blue Shield and Anthem Life Insurance Company of Indiana. The Consortium is governed by an administrative committee consisting of the superintendent from each participating district and the Shelby County Educational Service Center. Financial information can be obtained from The Pinnacle Advisory Group, 131 North Ludlow Street, Dayton, Ohio 45402.

16. 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 as of fiscal years ending June 30, 2010 and June 30, 2009.

B. Litigation

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

17. SUBSEQUENT EVENT

On November 18, 2010, the School District issued \$1,240,000 in certificates of participation notes to retire notes previously issued for construction of additional classrooms and special use spaces in the Pre-K to Sixth grade building being constructed in partnership with the Ohio School Facilities Commission. The notes have an interest rate of 2.5 percent and mature on November 17, 2011.

FORT LORAMIE LOCAL SCHOOL DISTRICT
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SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE					
(Passed through Ohio Department of Education)					
National School Lunch Program					
Non-Cash Assistance (Food Distribution):					
National School Lunch Program	10.555		\$55,288		\$55,288
Cash Assistance					
National School Lunch Program	10.555	\$48,880		\$48,880	
Total National School Lunch Program		48,880	55,288	48,880	55,288
Total U.S. Department of Agriculture		48,880	55,288	48,880	55,288
U.S. DEPARTMENT OF EDUCATION					
(Passed through Ohio Department of Education)					
Title I Grants to Local Educational Agencies	84.010	23,779		23,795	
Safe and Drug Free Schools and Communities State Grants	84.186	1,993		1,993	
Education Technology State Grants	84.318	183		183	
Improving Teacher Quality State Grants	84.367	20,430		20,615	
<i>Special Education Cluster:</i>					
Special Education Grants to States	84.027	153,644		153,713	
ARRA Special Education Grants to States - Recovery Act	84.391	79,575		79,426	
Total Special Education Cluster		233,219		233,139	
ARRA State Fiscal Stabilization Fund (SFSF) - Education State Grants	84.394	223,374		223,374	
Total U.S. Department of Education		502,978		503,099	
Total Federal Assistance		\$551,858	\$55,288	\$551,979	\$55,288

See accompanying notes to the schedule of federal awards receipts and expenditures.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Fort Loramie Local School District's (the School District) federal award programs receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The School District reports commodities consumed on the Schedule at fair value. The School District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the School District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The School District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Fort Loramie Local School District
Shelby County
575 Greenback Road
P.O. Box 26
Fort Loramie, Ohio 45845

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 Fort Loramie Local School District, Shelby County, (the School District) as of and for the years ended June 30, 2010 and June 30, 2009, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 26, 2011 wherein we noted the School District followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain matter not requiring inclusion in this report that we reported to the School District's management in a separate letter dated January 26, 2011.

We intend this report solely for the information and use of management, Board of Education, and federal awarding agencies and pass-through entities and others within the School District. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

January 26, 2011



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Fort Loramie Local School District
Shelby County
575 Greenback Road
P.O. Box 26
Fort Loramie, Ohio 45845

To the Board of Education:

Compliance

We have audited the compliance of Fort Loramie Local School District (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School 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 included in the Comptroller General of the United States' *Government Auditing Standards*; 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 reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the Fort Loramie Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of management, Board of Education, others within the School District, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

January 26, 2011

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	ARRA - State Fiscal Stabilization Fund - CFDA# 84.394 and Special Education Cluster (Special Education Grants to States, CFDA #84.027 and ARRA Special Education Grants to States – Recovery Act, CFDA #84.391)
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Fort Loramie Local School District
Shelby County
575 Greenback Road
P.O. Box 26
Fort Loramie, Ohio 45845

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Fort Loramie Local School District (the School District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on December 20, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - 1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - 2) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - 3) A procedure for reporting prohibited incidents;
 - 4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - 5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

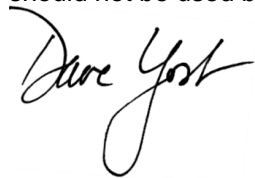
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www.auditor.state.oh.us

- 6) A procedure for documenting any prohibited incident that is reported;
- 7) A procedure for responding to and investigating any reported incident;
- 8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- 9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- 10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.



Dave Yost
Auditor of State

January 26, 2011



Dave Yost • Auditor of State

FORT LORAMIE LOCAL SCHOOL DISTRICT

SHEBLY 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.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 8, 2011