



Dave Yost • Auditor of State

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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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, Ohio (the School District), as of and for the year ended June 30, 2011, 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, Ohio, as of June 30, 2011, and the respective changes in cash financial position, thereof and the budgetary comparison for the General fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

As described in Note 3, during 2011, the School District adopted the provisions of Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report February 15, 2012, 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.

We conducted our audit to opine on the School District's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets and governmental activities. The Schedule of Federal Awards Receipts and Expenditures (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the Schedule were 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. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.



Dave Yost
Auditor of State

February 15, 2012

**FT. LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED**

The discussion and analysis of Ft. Loramie Local School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2011, 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 non-major 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 capital project fund 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 fiscal year 2011, 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.

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.

**FT. LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

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. The School District's major governmental funds are the General Fund, Bond Retirement debt service fund, and the Permanent Improvement capital projects fund.

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 year end 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 for fiscal year 2011 and fiscal year 2010:

Table 1			
Governmental Activities			
Net Assets			
	2011	2010	Change
Assets:			
Total Assets	\$4,141,216	\$4,515,784	(\$374,568)
Net Assets:			
Restricted	1,436,531	1,736,610	(300,079)
Unrestricted	2,704,685	2,779,174	(74,489)
Total Net Assets	\$4,141,216	\$4,515,784	(\$374,568)

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. Current assets and restricted net assets include the disbursement of debt proceeds and grants received in prior fiscal years.

**FT. LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

Table 2 reflects the change in net assets for fiscal year 2011 and fiscal year 2010.

**Table 2
Change in Net Assets**

	2011	2010	Change
Receipts:			
Program Receipts:			
Charges for Services	\$617,516	\$ 599,443	\$ 18,073
Operating Grants, Contributions, and Interest	772,244	741,086	31,158
Capital Grants and Contributions		18,497	(18,497)
Total Program Receipts	<u>1,389,760</u>	<u>1,359,026</u>	<u>30,734</u>
General Receipts:			
Property Taxes	2,336,843	2,325,089	11,754
Income Taxes	1,372,808	1,338,130	34,678
Grants and Entitlements	3,628,313	3,843,556	(215,243)
Interest	13,589	77,107	(63,518)
Notes Issued	1,240,000	1,380,000	(140,000)
Miscellaneous	18,332	44,475	(26,143)
Total General Receipts	<u>8,609,885</u>	<u>9,008,357</u>	<u>(398,472)</u>
Total Receipts	<u>9,999,645</u>	<u>10,367,383</u>	<u>(367,738)</u>
Disbursements:			
Instruction:			
Regular	3,675,521	3,529,819	(145,702)
Special	540,199	513,207	(26,992)
Support Services:			
Pupils	636,998	601,758	(35,240)
Instructional Staff	390,276	395,026	4,750
Board of Education	16,992	18,736	1,744
Administration	560,576	608,835	48,259
Fiscal	224,721	220,775	(3,946)
Business	626	722	96
Operation and Maintenance of Plant	659,861	673,557	13,696
Pupil Transportation	408,830	224,324	(184,506)
Central	58,644	60,309	1,665
Non-instructional Services	313,639	307,647	(5,992)
Extracurricular Activities	406,771	411,839	5,068
Capital Outlay	395,957	4,505,517	4,109,560
Debt Service:			
Principal Retirement	1,655,000	1,745,000	90,000
Interest and Fiscal Charges	420,140	448,240	28,100
Issuance Costs	9,462	8,663	(799)
Total Disbursements	<u>10,374,213</u>	<u>14,273,974</u>	<u>3,899,761</u>
Decrease in Net Assets	<u>(374,568)</u>	<u>(3,906,591)</u>	<u>3,532,023</u>
Net Assets at Beginning of Year	<u>4,515,784</u>	<u>8,422,375</u>	<u>(3,906,591)</u>
Net Assets at End of Year	<u>\$4,141,216</u>	<u>\$4,515,784</u>	<u>(\$ 374,568)</u>

Total receipts did not change significantly. General receipts decreased primarily from the School District having received the majority of the Ohio School Facilities Commission grant in prior fiscal years and the School District is paying down on the certificate of participation notes.

The overall total disbursements decreased 27 percent with the majority from the construction disbursements relating to the Ohio School Facilities Commission project. A significant increase in disbursements include the purchase of buses in the pupil transportation support services.

**FT. LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
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.

**Table 3
Governmental Activities**

	Total Cost Of Services		Net Cost Of Services	
	2011	2010	2011	2010
Instruction:				
Regular	\$ 3,675,521	\$ 3,529,819	\$3,543,036	\$3,392,609
Special	540,199	513,207	93,179	62,702
Support Services:				
Pupils	636,998	601,758	516,185	478,058
Instructional Staff	390,276	395,026	384,601	395,026
Board of Education	16,992	18,736	16,992	18,736
Administration	560,576	608,835	560,576	608,835
Fiscal	224,721	220,775	224,721	220,775
Business	626	722	626	722
Operation and Maintenance of Plant	659,861	673,557	637,741	651,792
Pupil Transportation	408,830	224,324	218,893	76,996
Central	58,644	60,309	53,644	55,309
Non-instructional Services	313,639	307,647	(18,747)	(11,373)
Extracurricular Activities	406,771	411,839	272,447	257,341
Capital Outlay	395,957	4,505,517	395,957	4,505,517
Debt Service:				
Principal Retirement	1,655,000	1,745,000	1,655,000	1,745,000
Interest and Fiscal Charges	420,140	448,240	420,140	448,240
Issuance Costs	9,462	8,663	9,462	8,663
Total Disbursements	<u>\$10,374,213</u>	<u>\$14,273,974</u>	<u>\$8,984,453</u>	<u>\$12,914,948</u>

The School District provided for 86 percent of total instruction costs with property taxes and unrestricted grants and entitlements in fiscal year 2011, which is consistent with the prior fiscal year. 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. The School District's major governmental funds are the General Fund, Bond Retirement debt service fund, and the Permanent Improvement capital project fund.

The School District realized a 3 percent decrease in cash reserves in the General Fund. The decrease is primarily from the purchase of two school buses at a total cost of \$167,200.

Property tax and intergovernmental revenues in the Bond Retirement debt service fund continue to be sufficient to cover debt service requirements.

Changes in fund balance increased in the Permanent Improvement capital projects fund as property taxes and intergovernmental revenues provided sufficient funds to pay on the outstanding notes.

**FT. LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(Continued)**

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 year 2011, the School District amended its General Fund budget as needed.

For the General Fund, final budgeted revenues increased slightly from the School District's original estimates while actual revenues were 1 percent above the final budget. The original appropriations increased 11 percent from fiscal year 2010 expenditures, with increases for capital outlay and personnel costs. The final appropriations were increased 3 percent from the original appropriations. Final expenditures were 93 percent of the final appropriations.

CURRENT ISSUES

The School District and the Ohio School Facilities Commission executed a close-out certificate on their joint construction project on July 26, 2011. As part of the close-out, the district remitted to the State of Ohio \$20,329 in unused State funds and \$56,824 in investment earning on State Funds. The amount of \$12,231 was determined to be unused bond principal and transferred to the Bond Retirement Fund, with the remaining balance of \$58,331 derived from investment earnings was transferred to the district's Permanent Improvement Fund.

On November 17, 2011, the district repaid \$130,000 of the principal of Certificates of Participation notes and issued renewal notes in the amount of \$1,110,000 with an interest rate of 1.75 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.

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**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2011**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$4,141,216</u></u>
Net Assets:	
Restricted for:	
Debt Service	870,204
Capital Projects	261,414
Other Purposes	304,913
Unrestricted	<u>2,704,685</u>
Total Net Assets	<u><u>\$4,141,216</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, 2011**

	<u>Program Cash Receipts</u>			<u>Net (Disbursement) Receipt and Change in Net Assets</u>
	<u>Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Interest</u>	<u>Governmental Activities</u>
Governmental Activities:				
Instruction:				
Regular	\$3,675,521	\$98,944	\$33,541	(\$3,543,036)
Special	540,199		447,020	(93,179)
Support Services:				
Pupils	636,998	112,036	8,777	(516,185)
Instructional Staff	390,276	5,675		(384,601)
Board of Education	16,992			(16,992)
Administration	560,576			(560,576)
Fiscal	224,721			(224,721)
Business	626			(626)
Operation and Maintenance of Plant	659,861		22,120	(637,741)
Pupil Transportation	408,830	1,064	188,873	(218,893)
Central	58,644		5,000	(53,644)
Noninstructional Services	313,639	281,633	50,753	18,747
Extracurricular Activities	406,771	118,164	16,160	(272,447)
Capital Outlay	395,957			(395,957)
Debt Service:				
Principal Retirement	1,655,000			(1,655,000)
Interest and Fiscal Charges	420,140			(420,140)
Issuance Costs	9,462			(9,462)
Total Governmental Activities	<u>\$10,374,213</u>	<u>\$617,516</u>	<u>\$772,244</u>	<u>(8,984,453)</u>
General Receipts:				
Property Taxes Levied for:				
General Purposes				1,563,335
OSFC Maintenance				35,261
Debt Service				604,256
Permanent Improvement				133,991
Income Taxes				1,372,808
Grants and Entitlements Not Restricted to Specific Programs				3,628,313
Interest				13,589
Notes Issued				1,240,000
Miscellaneous				18,332
Total General Receipts				<u>8,609,885</u>
Change in Net Assets				(374,568)
Net Assets at Beginning of Year - Restated (Note 3)				<u>4,515,784</u>
Net Assets at End of Year				<u>\$4,141,216</u>

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, 2011**

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Other Governmental</u>	<u>Total</u>
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$2,704,685	\$870,204	\$82,952	\$483,375	\$4,141,216
Total Assets	<u>2,704,685</u>	<u>870,204</u>	<u>82,952</u>	<u>483,375</u>	<u>4,141,216</u>
Fund Balances:					
Restricted		870,204	82,952	483,375	1,436,531
Assigned	92,611				92,611
Unassigned	2,612,074				2,612,074
Total Fund Balances	<u>\$2,704,685</u>	<u>\$870,204</u>	<u>\$82,952</u>	<u>\$483,375</u>	<u>\$4,141,216</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, 2011**

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Other Governmental</u>	<u>Total</u>
Receipts:					
Property Taxes	\$1,563,335	\$604,256	\$133,991	\$35,261	\$2,336,843
Income Taxes	1,372,808				1,372,808
Intergovernmental	3,586,671	93,213	20,071	671,746	4,371,701
Interest	13,147		186	468	13,801
Tuition and Fees	107,904				107,904
Charges for Services	4,290			281,633	285,923
Extracurricular Activities	105,525			118,164	223,689
Gifts and Donations	12,487			16,157	28,644
Miscellaneous	11,525			6,807	18,332
Total Receipts	<u>6,777,692</u>	<u>697,469</u>	<u>154,248</u>	<u>1,130,236</u>	<u>8,759,645</u>
Disbursements:					
Current:					
Instruction:					
Regular	3,595,060			80,461	3,675,521
Special	471,304			68,895	540,199
Support Services:					
Pupils	471,320			165,678	636,998
Instructional Staff	362,641			27,635	390,276
Board of Education	16,992				16,992
Administration	550,776			9,800	560,576
Fiscal	207,752	12,428	3,123	1,418	224,721
Business	626				626
Operation and Maintenance of Plant	402,962			256,899	659,861
Pupil Transportation	408,830				408,830
Central	44,819			13,825	58,644
Noninstructional Services				313,639	313,639
Extracurricular Activities	268,601			138,170	406,771
Capital Outlay	498			395,459	395,957
Debt Service:					
Principal Retirement	35,000	275,000	1,345,000		1,655,000
Interest and Fiscal Charges		385,640	34,500		420,140
Issuance Costs			9,462		9,462
Total Disbursements	<u>6,837,181</u>	<u>673,068</u>	<u>1,392,085</u>	<u>1,471,879</u>	<u>10,374,213</u>
Excess of Receipts Over (Under) Disbursements	<u>(59,489)</u>	<u>24,401</u>	<u>(1,237,837)</u>	<u>(341,643)</u>	<u>(1,614,568)</u>
Other Financing Sources (Uses):					
Notes Issued			1,240,000		1,240,000
Transfers In				15,000	15,000
Transfers Out	(15,000)				(15,000)
Total Other Financing Sources (Uses)	<u>(15,000)</u>		<u>1,240,000</u>	<u>15,000</u>	<u>1,240,000</u>
Changes in Fund Balances	(74,489)	24,401	2,163	(326,643)	(374,568)
Fund Balances at Beginning of Year - Restated (Note 3)	<u>2,779,174</u>	<u>845,803</u>	<u>80,789</u>	<u>810,018</u>	<u>4,515,784</u>
Fund Balances at End of Year	<u>\$2,704,685</u>	<u>\$870,204</u>	<u>\$82,952</u>	<u>\$483,375</u>	<u>\$4,141,216</u>

See accompanying notes to the basic financial statements.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FICAL YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Property Taxes	\$1,533,139	\$1,533,139	\$1,563,335	\$30,196
Income Taxes	1,284,605	1,284,605	1,372,808	88,203
Intergovernmental	3,622,775	3,622,775	3,586,671	(36,104)
Interest	30,300	30,300	13,147	(17,153)
Tuition and Fees	99,740	102,415	107,904	5,489
Charges for Services	5,200	4,500	4,290	(210)
Extracurricular Activities	76,700	99,935	105,525	5,590
Gifts and Donations	8,100	13,748	12,487	(1,261)
Miscellaneous	8,940	9,948	11,525	1,577
Total Receipts	<u>6,669,499</u>	<u>6,701,365</u>	<u>6,777,692</u>	<u>76,327</u>
Disbursements:				
Current:				
Instruction:				
Regular	3,560,554	3,570,518	3,472,398	98,120
Special	648,068	648,352	471,610	176,742
Other	95,064	179,764	137,160	42,604
Support Services:				
Pupils	445,233	477,011	476,522	489
Instructional Staff	381,820	393,178	364,810	28,368
Board of Education	18,591	22,435	22,324	111
Administration	533,723	557,563	552,913	4,650
Fiscal	216,963	223,385	210,770	12,615
Business	626	636	626	10
Operation and Maintenance of Plant	570,566	569,538	441,135	128,403
Pupil Transportation	430,257	446,710	424,363	22,347
Central	46,005	49,005	44,819	4,186
Extracurricular Activities	275,411	282,447	269,785	12,662
Capital Outlay	7,316	3,219	498	2,721
Debt Service:				
Principal	20,000	35,000	35,000	
Total Disbursements	<u>7,250,197</u>	<u>7,458,761</u>	<u>6,924,733</u>	<u>534,028</u>
Excess of Receipts Under Disbursements	(580,698)	(757,396)	(147,041)	610,355
Other Financing Uses:				
Transfers Out	(18,000)	(15,000)	(15,000)	
Changes in Fund Balance	(598,698)	(772,396)	(162,041)	610,355
Fund Balance at Beginning of Year	2,679,408	2,679,408	2,679,408	
Prior Year Encumbrances Appropriated	99,766	99,766	99,766	
Fund Balance at End of Year	<u>\$2,180,476</u>	<u>\$2,006,778</u>	<u>\$2,617,133</u>	<u>\$610,355</u>

See accompanying notes to the basic financial statements.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011**

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	<u>\$5,145</u>	<u>\$34,122</u>
Net Assets:		
Held in Trust for Students	5,145	
Held for Undistributed Moneys		1,007
Held On Behalf for Students		<u>33,115</u>
Total Net Assets	<u>\$5,145</u>	<u>\$34,122</u>

See accompanying notes to the basic financial statements.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Additions:	
Gifts and Donations	\$2,510
Deductions:	
Noninstructional Services	<u>2,488</u>
Change in Net Assets	22
Net Assets at Beginning of Year - Restated (Note 3)	<u>5,123</u>
Net Assets at End of Year	<u><u>\$5,145</u></u>

See accompanying notes to the basic financial statements.

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**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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 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 Shelby and Darke Counties. In terms of enrollment, the School District was the 526th largest in the State of Ohio (among 612 public school districts) in fiscal year 2011. It is staffed by thirty classified employees, fifty-two certified teaching personnel, and five administrative employees who provide services to 856 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 15 and 16 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. Following are the more significant of the School District's accounting policies.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 major funds are the General Fund, Bond Retirement debt service fund, and the Permanent Improvement capital projects fund.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

Permanent Improvement Fund – The Permanent Improvement capital projects fund is restricted for the acquisition, construction, or improvement of capital facilities.

The other governmental funds of the School District account for grants and other resources whose use is restricted, committed, or assigned 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. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. 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 noninstructional 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.

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 Fund and the function and object level for all other funds are made by the Treasurer.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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".

During fiscal year 2011, the School District's investments included nonnegotiable certificates of deposit, federal securities, mutual funds, 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 on June 30, 2011.

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 2011 was \$13,147, which included \$4,238 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. Capital Assets

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

G. 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.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. 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.

I. 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 adult education programs, music and athletic programs, vocational 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.

J. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Non-spendable – The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed – The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The School District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

K. 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. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as non-spendable, restricted, committed, assigned, and/or unassigned.

	General	Bond Retirement	Permanent Improvement	Other Governmental	Total Governmental Funds
Fund Balance at June 30, 2010	\$2,743,762	\$845,803	\$80,789	\$840,025	\$4,510,379
Change in Fund Structure	35,412			(30,007)	5,405
Adjusted Fund Balance at June 30, 2010	<u>\$2,779,174</u>	<u>\$845,803</u>	<u>\$80,789</u>	<u>\$810,018</u>	<u>\$4,515,784</u>

The restatement had the following effect on net assets:

	Governmental Activities	Private Purpose Trust
Net Assets June 30, 2010	\$4,510,379	
Change in Fund Structure	5,405	\$5,123
Adjusted Net Assets at June 30, 2010	<u>\$4,515,784</u>	<u>\$5,123</u>

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

4. 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;
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.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

A. Investments

The School District's investments at June 30, 2011 were as follows:

	Fair Value	Credit Rating	Investment Maturity (in Years)	
			Less than 1	1 – 3
STAR Ohio	\$ 538,603	AAAm ¹	\$538,603	
Fifth/Third Govt. Money Market	328,701	AAAm ¹	328,701	
Federal Home Loan Bank Bonds	225,000	AAA ¹ , Aaa ²		\$225,000
Federal Farm Credit Banks Bonds	125,000	AAA ¹ , Aaa ²		125,000
Total Investments	\$1,217,304		\$867,304	\$350,000

¹ Standard & Poor's

² Moody's Investor Service

A significant portion of these investments are held by specific funds as presented below:

	General	Bond Retirement	Classroom Facilities	Classroom Maintenance
Fifth/Third Govt. Mutual	328,701			
Federal Home Loan Bank Bonds	143,000	82,000		
Federal Farm Credit Banks Bonds	125,000			
Total	\$726,774	\$199,000	\$147,725	\$106,488

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 Federal Home Loan Bank Bonds, Federal Farm Credit Banks Bonds and mutual fund carry a rating of Aaa by Moody's. STAR Ohio carries a rating of AAA by Standard and Poor's. 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 25 and STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

5. 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.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

5. PROPERTY TAXES (Continued)

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 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, 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 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2011 (other than public utility property) represent the collection of calendar year 2011 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. 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, 2011, are available to finance fiscal year 2011 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 2011 taxes were collected are:

	2010 Second- Half Collections		2011 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$80,585,600	97.64%	\$83,393,160	97.70%
Public Utility	1,894,200	2.29	1,967,200	2.30
Tangible Personal	56,730	0.07		0.00
Total Assessed Value	<u>\$82,536,530</u>	<u>100.00%</u>	<u>\$85,360,360</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$47.50		\$47.50	

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

6. INCOME TAX

The School District currently levies a voted tax of 1.5 percent for general operations on the income of residents and estates. 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.

7. 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 2011, the School District contracted for the following insurance coverage.

Indiana Insurance

Building and Contents – Replacement cost (\$1,000 deductible – 100% co-insurance)	\$24,610,500
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

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

For fiscal year 2011, 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.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

8. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. 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 can 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.

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 – Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2011, 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.

The School District's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$414,667 and \$6,652 for the fiscal year ended June 30, 2011, \$397,803 and \$1,516 for the fiscal year ended June 30, 2010, and \$402,799 and \$0, for the fiscal year ended June 30, 2009. For fiscal year 2011, 83 percent has been contributed for the DBP and 83 percent has been contributed for the CP. The full amount has been contributed for fiscal years 2010 and 2009.

The contribution to STRS Ohio for the DCP for fiscal year 2011 was \$1,684 made by the School District and \$1,203 made by the plan members. In addition, member contributions of \$4,751 were made for fiscal year 2011 for the defined contribution portion of the CP.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

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 – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirement 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. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2011, the allocation to pension and death benefits was 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 was \$100,148, \$107,255, and \$75,389, respectively. For fiscal year 2011, 47 percent has been contributed. The full amount has been contributed for fiscal years 2010 and 2009.

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, 2011, 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 participates in 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. Ohio law authorizes STRS Ohio to offer the Plan. 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 can be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

Funding Policy – Chapter 3307 of the Ohio Revised Code authorizes STRS Ohio to offer the 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, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The School District's contribution for health care for the fiscal years ended June 30, 2011, 2010, and 2009 was \$32,539, \$31,258, and \$31,320, respectively. For fiscal year 2011, 83 percent has been contributed. The full amount has been contributed for fiscal years 2010 and 2009.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

9. POSTEMPLOYMENT BENEFITS (Continued)

B. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment 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 obligation 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 can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

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 105(e). For fiscal year 2011, 1.43 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 2011, this amount was \$35,800. For fiscal year 2011, the School District paid \$12,755 in surcharge.

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, 2011, 2010, and 2009 was \$12,126, \$4,028 and \$34,502, respectively. For fiscal year 2011, 47 percent has been contributed. The full amount has been contributed for fiscal years 2010 and 2009.

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 2011, 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, 2011, 2010, and 2009 was \$6,445, \$6,378, and \$6,220, respectively. For fiscal year 2011, 47 percent has been contributed. The full amount has been contributed for fiscal years 2010 and 2009.

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.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

10. OTHER EMPLOYEE BENEFITS (Continued)

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.

11. LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2011 were as follows:

	<u>Balance at 6/30/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/11</u>	<u>Amounts Due Within One Year</u>
General Long-Term Obligations:					
Refunding 1998 Bond					
Serial and Term Bonds 4.00 – 4.20%	\$ 4,350,000		\$ 190,000	\$4,160,000	\$200,000
Capital Appreciation Bonds 7.105%	289,998			289,998	
2007 School Facilities Issue					
Serial and Term Bonds 4.00 – 4.25%	5,140,000		85,000	5,055,000	85,000
Capital Appreciation Bonds 18.238%	65,999			65,999	
Total General Obligation Bonds	<u>9,845,997</u>		<u>275,000</u>	<u>9,570,997</u>	<u>285,000</u>
Other Long-Term Obligations					
Certificates of Participation	<u>1,380,000</u>	<u>\$1,240,000</u>	<u>1,380,000</u>	<u>1,240,000</u>	<u>130,000</u>
Total Long-Term Obligations	<u>\$11,225,997</u>	<u>\$1,240,000</u>	<u>\$1,655,000</u>	<u>\$10,810,997</u>	<u>\$415,000</u>

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.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

11. LONG-TERM OBLIGATIONS (Continued)

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.

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

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

11. LONG-TERM OBLIGATIONS (Continued)

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.

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:

<u>Redemption Date (December 1)</u>	<u>Principal Amount Subject to Mandatory Redemption</u>
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:

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

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

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

11. LONG-TERM OBLIGATIONS (Continued)

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:

<u>Redemption Date (December 1)</u>	<u>Principal Amount Subject to Mandatory Redemption</u>
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.

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 (\$1,195,409) with an unvoted debt margin of \$83,393 at June 30, 2011. 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.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

11. LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2011, were as follows:

Fiscal Year Ending	General Obligation Bonds			
	Serial and Term		Capital Appreciation	
	Principal	Interest	Principal	Interest
2012	\$ 285,000	\$ 374,440		
2013	325,000	362,240		
2014	345,000	444,022		
2015		350,223	\$174,636	\$190,364
2016		279,330	163,071	206,929
2017-2021	1,875,000	1,494,559	18,290	81,710
2022-2026	2,425,000	1,092,595		
2027-2031	1,945,000	617,116		
2032-2036	2,015,000	213,881		
Totals	<u>\$9,215,000</u>	<u>\$5,228,406</u>	<u>\$355,997</u>	<u>\$479,003</u>

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.

12. FUND BALANCE

Fund balance is classified as non-spendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General	Bond Retirement	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Restricted for:					
Athletics and Music				\$ 48,536	\$ 48,536
Capital Improvements			\$82,952	389,547	472,499
Debt Service		\$870,204			870,204
Food Service Operations				41,813	41,813
Regular Instruction				78	78
Special Instruction				28	28
Student Tracking				3,373	3,373
Total Restricted		870,204	82,952	483,375	1,436,531
Assigned for:					
Educational Activities	\$ 28,561				28,561
Encumbrances	64,050				64,050
Total Assigned	92,611				92,611
Unassigned	2,612,074				2,612,074
Total Fund Balance	<u>\$2,704,685</u>	<u>\$870,204</u>	<u>\$82,952</u>	<u>\$483,375</u>	<u>\$4,141,216</u>

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

13. 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 2011.

	Textbooks	Capital Improvements
Cash Balance as of June 30, 2010	(\$464,418)	
Current Year Requirements	125,522	\$125,522
Qualifying Disbursements	(78,025)	(125,522)
Total	(\$416,921)	\$ 0

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

14. INTERFUND TRANSFERS

During fiscal year 2011, the General Fund made transfers to other governmental funds, in the amount of \$15,000, to subsidize operations.

15. 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

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

15. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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.

16. 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.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

16. INSURANCE POOLS (Continued)

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.

17. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

B. Litigation

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

18. SUBSEQUENT EVENT

On November 17, 2011, the School District issued \$1,110,000 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 constructed in partnership with the Ohio School Facilities Commission. The notes have an interest rate of 1.75 percent and mature on November 16, 2012.

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**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Federal Grantor/ Pass Through Grantor Program Title	Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
(Passed through Ohio Department of Education)						
Non-Cash Assistance (Food Distribution):						
National School Lunch Program	2011	10.555		\$60,026		\$60,026
Cash Assistance						
National School Lunch Program	2011	10.555	\$50,006		\$50,006	
Total National School Lunch Program			50,006	60,026	50,006	60,026
Total U.S. Department of Agriculture			50,006	60,026	50,006	60,026
U.S. DEPARTMENT OF EDUCATION						
(Passed through Ohio Department of Education)						
Title I Grants to Local Educational Agencies	2011	84.010	20,503		20,503	
	2010		3,575		3,575	
Total Title I Grants to Local Educational Agencies			24,078		24,078	
Education Technology State Grants	2011	84.318	100		100	
Improving Teacher Quality State Grants	2011	84.367	17,562		17,533	
	2010		2,951		2,951	
Total Improving Teacher Quality State Grants			20,513		20,484	
Special Education Cluster:						
Special Education Grants to States	2011	84.027	129,319		129,319	
	2010		9,098		9,099	
Total Special Education Grants to States			138,417		138,418	
ARRA Special Education Grants to States	2011	84.391	95,072		95,072	
	2010		2,581		2,730	
Total ARRA Special Education Grants to States			97,653		97,802	
Total Special Education Cluster			236,070		236,220	
ARRA State Fiscal Stabilization Fund (SFSF)	2011	84.394	273,572		273,572	
ARRA Race to the Top	2011	84.395	4,668		4,668	
Total U.S. Department of Education			559,001		559,122	
Total Federal Assistance			\$609,007	\$60,026	\$609,128	\$60,026

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
FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Fort Loramie Local School District (the School District) federal award programs' receipts and expenditures. 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 the fair value. The School District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



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 year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 15, 2012, wherein we noted the School District adopted the provisions of Government Accounting Standards Board Statement No 54, *Fund Balance and Governmental Fund Type Definitions*. We also noted the School District uses a comprehensive accounting basis other than generally accepted accounting principles. 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 opinion 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 certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated February 15, 2012.

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.



Dave Yost
Auditor of State

February 15, 2012



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, 2011. 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 opine on the School District's compliance based on our audit.

Our compliance audit followed 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*. These 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 these 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 these requirements.

In our opinion, the 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, 2011.

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.

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www.auditor.state.oh.us

**Internal Control Over Compliance
(Continued)**

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 the audit committee, management, Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

February 15, 2012

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	ARRA – State Fiscal Stabilization Fund – CFDA #84.394 Special Education Cluster (Special Education Grants to States, CFDA #84.027 and ARRA Special Education Grants to States – Recovery Act, CFDA #84.391)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	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 Accountants' 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 procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Fort Loramie Local School District (the School District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on November 15, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 15, 2012

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FORT LORAMIE LOCAL SCHOOL DISTRICT

SHELBY 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, 2012