



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO



**Auditor of State
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January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Balance Sheet - All Fund Types and Account Groups – June 30, 2002.....	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances All Governmental Fund Types - For the Fiscal Year Ended June 30, 2002	6
Combined Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual (Budget Basis) - All Governmental Fund Types - For the Fiscal Year Ended June 30, 2002	8
Statement of Revenues, Expenses and Changes in Fund Equity Enterprise Fund - For the Fiscal Year Ended June 30, 2002	10
Statement of Revenues, Expenses and Changes in Fund Equity Budget and Actual (Budget Basis) – Enterprise Fund For the Fiscal Year Ended June 30, 2002	11
Statement of Cash Flows – Enterprise Fund - For the Fiscal Year Ended June 30, 2002.....	12
Notes to the General-Purpose Financial Statements	13
Combined Balance Sheet - All Fund Types and Account Groups – June 30, 2001.....	40
Combined Statement of Revenues, Expenditures and Changes in Fund Balances All Governmental Fund Types - For the Fiscal Year Ended June 30, 2001	42
Combined Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual (Budget Basis) - All Governmental Fund Types - For the Fiscal Year Ended June 30, 2001	44
Statement of Revenues, Expenses and Changes in Fund Equity Enterprise Fund - For the Fiscal Year Ended June 30, 2001	46
Statement of Revenues, Expenses and Changes in Fund Equity Budget and Actual (Budget Basis) – Enterprise Fund For the Fiscal Year Ended June 30, 2001	47
Statement of Cash Flows – Enterprise Fund - For the Fiscal Year Ended June 30, 2001.....	48
Notes to the General-Purpose Financial Statements	49
Schedule of Federal Awards Expenditures.....	76
Notes to the Schedule of Federal Awards Expenditures	77
Report of Independent Accountants on Compliance and on Internal Control Required By <i>Government Auditing Standard</i>	79
Report of Independent Accountants on Compliance with Requirements Applicable to each Major Federal Program and Internal Control Over Compliance in accordance with OMB Circular A-133	81
Schedule of Findings.....	83

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INDEPENDENT ACCOUNTANTS' REPORT

Fort Loramie Local School District
Shelby County
575 Greenback Road
PO Box 26
Fort Loramie, Ohio 45845

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Fort Loramie Local School District, Shelby County, (the School District), as of and for the years ended June 30, 2002, and June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general-purpose 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the School District, as of June 30, 2002, and June 30, 2001 and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2002, the School District changed the capital asset capitalization threshold.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general-purpose financial statements of the School District, taken as a whole. The accompanying schedule of federal awards expenditures for the fiscal year ended June 30, 2002 is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro", with a stylized flourish at the end.

Jim Petro
Auditor of State

January 2, 2003

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**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2002**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$834,574	\$119,463	\$216,075	\$213,174
Cash and Cash Equivalents				
In Segregated Accounts		3,498		
Receivables:				
Property Taxes	1,321,406		440,398	
Income Taxes	215,412			
Accounts	6,440	2,529		
Intergovernmental	5,319	614		
Accrued Interest	4,525			438
Interfund Receivable	3,065			
Inventory Held for Resale				
Materials and Supplies Inventory	25,075	738		
Prepaid Items	37,891	6,193		
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	191,118			
Cash and Cash Equivalents in Segregated Accounts				6,286
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Obligation Debt				
Amount to be provided from General Government Resources				
Total Assets and Other Debits:	<u>2,644,825</u>	<u>133,035</u>	<u>656,473</u>	<u>219,898</u>
Liabilities, Fund Equity and Other Credits:				
Liabilities:				
Accounts Payable	29,225	5,765		3,246
Contracts Payable				13,045
Accrued Wages and Benefits	420,588	5,142		
Compensated Absences Payable	51,080			
Liabilities against Restricted Assets				
Retainage Payable				6,286
Interfund Payable		3,065		
Intergovernmental Payable	91,381	1,002		
Deferred Revenue	1,285,836	636	418,897	140
Undistributed Assets				
Due to Students				
General Obligation Bonds Payable				
Total Liabilities:	<u>1,878,110</u>	<u>15,610</u>	<u>418,897</u>	<u>22,717</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved:				
Reserved for Encumbrances	14,868	14,546		29,576
Reserved for Bus Purchase	33,981			
Reserved for Inventory	25,075	738		
Reserved for Property Taxes	60,120		21,501	
Reserved for Budget Stabilization	105,624			
Designation for Capital Improvements	51,514			
Designated for Textbooks & Instructional Materials	1,646			
Unreserved, Undesignated	473,887	102,141	216,075	167,605
Total Fund Equity and Other Credits	<u>766,715</u>	<u>117,425</u>	<u>237,576</u>	<u>197,181</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$2,644,825</u>	<u>\$133,035</u>	<u>\$656,473</u>	<u>\$219,898</u>

The notes to the financial statements are an integral part of this financial statement.

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Asset	General Long-Term Obligations	
Enterprise	Agency			
\$22,889	\$46,089			\$1,452,264
				3,498
				1,761,804
				215,412
2				8,971
				5,933
29				4,992
				3,065
5,518				5,518
714				26,527
401				44,485
				191,118
				6,286
135,953		11,757,334		11,893,287
			237,576	237,576
			5,954,815	5,954,815
<u>165,506</u>	<u>46,089</u>	<u>11,757,334</u>	<u>6,192,391</u>	<u>21,815,551</u>
				38,236
				13,045
12,352				438,082
6,680			321,740	379,500
				6,286
				3,065
9,798			37,119	139,300
				1,705,509
	354			354
	45,735			45,735
			5,833,532	5,833,532
<u>28,830</u>	<u>46,089</u>		<u>6,192,391</u>	<u>8,602,644</u>
		11,757,334		11,757,334
114,196				114,196
22,480				22,480
				58,990
				33,981
				25,813
				81,621
				105,624
				51,514
				1,646
				959,708
<u>136,676</u>		<u>11,757,334</u>		<u>13,212,907</u>
<u>\$165,506</u>	<u>\$46,089</u>	<u>\$11,757,334</u>	<u>\$6,192,391</u>	<u>\$21,815,551</u>

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Revenues:					
Property Taxes	\$1,325,711		\$466,113		\$1,791,824
Income Taxes	551,041				551,041
Intergovernmental	3,040,323	365,457	60,412	43,306	3,509,498
Interest	42,252	248		1,909	44,409
Tuition and Fees	84,143	4,853			88,996
Rent	3,041				3,041
Extracurricular Activities		123,912			123,912
Gifts and Donations	16,019	29,598		5,749	51,366
Customer Services	2,217	4,719			6,936
Miscellaneous	60,591	6,931	5,279	210,000	282,801
Total Revenues	<u>5,125,338</u>	<u>535,718</u>	<u>531,804</u>	<u>260,964</u>	<u>6,453,824</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,595,398	41,109			2,636,507
Special	301,309	68,264			369,573
Vocational	59,921				59,921
Adult/Continuing	155				155
Other	1,627				1,627
Support services:					
Pupils	311,478	77,755			389,233
Instructional Staff	268,128	237,808		28,250	534,186
Board of Education	14,390				14,390
Administration	428,242				428,242
Fiscal	124,428		9,341		133,769
Operation and Maintenance of Plant	432,724			13,000	445,724
Pupil Transportation	186,733				186,733
Central	41,691	9,976			51,667
Non-Instructional Services		250			250
Extracurricular activities	158,725	90,288			249,013
Capital Outlay	21,044	11,033		38,207	70,284
Debt Service:					
Principal Retirement			215,000		215,000
Interest and Fiscal Charges			280,870		280,870
Total Expenditures	<u>4,945,993</u>	<u>536,483</u>	<u>505,211</u>	<u>79,457</u>	<u>6,067,144</u>
Excess of Revenues Over (Under) Expenditures	<u>179,345</u>	<u>(765)</u>	<u>26,593</u>	<u>181,507</u>	<u>386,680</u>
Other Financing Sources (Uses):					
Operating Transfers In		5,800		5,108	10,908
Proceeds from Sale of Fixed Assets	1,650				1,650
Operating Transfers Out	(10,908)				(10,908)
Total Other Financing Sources (Uses)	<u>(9,258)</u>	<u>5,800</u>		<u>5,108</u>	<u>1,650</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	170,087	5,035	26,593	186,615	388,330
Fund Balances at Beginning of Year	592,806	111,804	210,983	10,566	926,159
Increase (Decrease) in Reserve for Inventory	3,822	586			4,408
Fund Balances End of Year	<u>\$766,715</u>	<u>\$117,425</u>	<u>\$237,576</u>	<u>\$197,181</u>	<u>\$1,318,897</u>

The notes to the financial statements are an integral part of this financial statement.

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**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (BUDGET BASIS) - ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDING JUNE 30, 2002**

	General Fund		
	Revised Budget	Actual	Variance
Revenues:			
Property Taxes	\$1,261,500	\$1,332,116	\$70,616
Income Taxes	538,000	589,740	51,740
Intergovernmental	3,032,250	3,037,633	5,383
Interest	54,500	43,191	(11,309)
Tuition and Fees	71,750	82,181	10,431
Rent	3,700	3,113	(587)
Extracurricular Activities			
Gifts and Donations		16,019	16,019
Customer Services	900	2,217	1,317
Miscellaneous	500	46,267	45,767
Total Revenues	<u>4,963,100</u>	<u>5,152,477</u>	<u>189,377</u>
Expenditures:			
Current:			
Instruction:			
Regular	2,576,676	2,567,932	8,744
Special	316,408	296,995	19,413
Vocational	64,588	59,899	4,689
Adult	491	156	335
Other	6,635	2,777	3,858
Support services:			
Pupils	327,115	310,302	16,813
Instructional Staff	288,763	274,787	13,976
Board of Education	21,409	19,935	1,474
Administration	433,820	428,805	5,015
Fiscal	130,003	127,680	2,323
Business	670		670
Operation and Maintenance of Plant	488,079	465,144	22,935
Pupil Transportation	199,130	184,837	14,293
Central	46,017	44,205	1,812
Non-Instructional Services			
Extracurricular activities	158,982	157,668	1,314
Capital Outlay	48,829	46,763	2,066
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	<u>5,107,615</u>	<u>4,987,885</u>	<u>119,730</u>
Excess of Revenues Over (Under) Expenditures	(144,515)	164,592	309,107
Other Financing Sources and Uses:			
Operating Transfers In			
Proceeds from Sale of Fixed Assets		300	300
Refund of Prior Year Expenditures		14,788	14,788
Advances In	23,657	43,066	19,409
Other Financing Sources		122	122
Operating Transfers Out	(10,908)	(10,908)	
Refund of Prior Year Receipts	(39)	(39)	
Advances Out	(3,065)	(22,474)	(19,409)
Total Other Financing Sources (Uses)	<u>9,645</u>	<u>24,855</u>	<u>15,210</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(134,870)	189,447	324,317
Fund Balances at Beginning of Year	649,628	649,628	
Prior Year Encumbrances Appropriated	100,054	100,054	
Fund Balances at End of Year	<u>\$614,812</u>	<u>\$939,129</u>	<u>\$324,317</u>

The notes to the financial statement are an integral part of the financial statement.

Special Revenue			Debt Service			Capital Projects		
Revised Budget	Actual	Variance	Revised Budget	Actual	Variance	Revised Budget	Actual	Variance
			\$458,000	\$471,740	\$13,740			
295,701	297,376	1,675	61,694	60,412	(1,282)	43,306	43,306	
315	253	(62)				750	1,719	969
4,350	4,869	519						
114,843	122,856	8,013						
33,638	35,368	1,730				5,510	5,749	239
4,400	4,719	319						
5,149	6,946	1,797				214,854	215,000	146
<u>458,396</u>	<u>472,387</u>	<u>13,991</u>	<u>519,694</u>	<u>532,152</u>	<u>12,458</u>	<u>264,420</u>	<u>265,774</u>	<u>1,354</u>
53,615	43,893	9,722						
26,566	26,563	3						
78,139	73,479	4,660						
231,043	223,044	7,999				29,320	29,271	49
210		210						
			11,000	9,341	1,659			
						13,000	13,000	
13,201	10,004	3,197						
550	550							
99,728	98,845	883						
16,898	11,033	5,865				269,007	97,227	171,780
			215,000	215,000				
			280,870	280,870				
<u>519,950</u>	<u>487,411</u>	<u>32,539</u>	<u>506,870</u>	<u>505,211</u>	<u>1,659</u>	<u>311,327</u>	<u>139,498</u>	<u>171,829</u>
(61,554)	(15,024)	46,530	12,824	26,941	14,117	(46,907)	126,276	173,183
5,800	5,800					5,108	5,108	
15,255	15,254	(1)		5,279	5,279			
3,065	22,037	18,972					437	437
(5,767)	(5,767)							
	(18,972)	(18,972)					(24,094)	(24,094)
<u>18,353</u>	<u>18,352</u>	<u>(1)</u>		<u>5,279</u>	<u>5,279</u>	<u>5,108</u>	<u>(18,549)</u>	<u>(23,657)</u>
(43,201)	3,328	46,529	12,824	32,220	19,396	(41,799)	107,727	149,526
62,017	62,017		183,855	183,855		23,609	23,609	
33,807	33,807					43,251	43,251	
<u>\$52,623</u>	<u>\$99,152</u>	<u>\$46,529</u>	<u>\$196,679</u>	<u>\$216,075</u>	<u>\$19,396</u>	<u>\$25,061</u>	<u>\$174,587</u>	<u>\$149,526</u>

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY -
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Food Service
Operating Revenues:	
Sales	\$193,295
Other Revenues	50
	193,345
Total Operating Revenues	193,345
Operating Expenses:	
Salaries	83,069
Fringe Benefits	38,970
Purchased Services	11,518
Materials and Supplies	9,393
Cost of Sales	109,825
Depreciation	8,979
Other	458
	262,212
Total Operating Expenses	262,212
Operating Loss	(68,867)
Non-Operating Revenues	
Federal Donated Commodities	31,279
Interest	484
Federal and State Subsidies	30,809
Other - Contributions and Donations	5,874
	68,446
Total Non-Operating Revenues	68,446
Net Loss	(421)
Retained Earnings at Beginning of Year (Restated Note 3)	22,901
Retained Earnings at End of Year	22,480
Contributed Capital at Beginning and End of Year (Restated Note 3)	114,196
Total Fund Equity at End of Year	\$136,676

The notes to the financial statements are an integral part of this financial statement.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY -
BUDGET AND ACTUAL (BUDGET BASIS) - ENTERPRISE FUND
FOR THE FISCAL YEAR ENDING JUNE 30, 2002**

	Food Service		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Sales	\$190,950	\$193,402	\$2,452
Federal and State Subsidies	29,750	30,809	1,059
Interest	400	495	95
Total Revenues:	<u>221,100</u>	<u>224,706</u>	<u>3,606</u>
Expenses:			
Salaries	86,142	81,714	4,428
Fringe Benefits	39,114	38,366	748
Purchased Services	13,010	12,103	907
Materials and Supplies	96,766	84,480	12,286
Other	428	428	
Capital Outlay	2,815	2,718	97
Total Expenses:	<u>238,275</u>	<u>219,809</u>	<u>18,466</u>
Excess of Revenues Over (Under) Expenses	(17,175)	4,897	22,072
Fund Equity at Beginning of Year	16,293	16,293	
Prior Year Encumbrances Appropriated	998	998	
Fund Equity at End of Year	<u><u>\$116</u></u>	<u><u>\$22,188</u></u>	<u><u>\$22,072</u></u>

The notes to the financial statement are an integral part of the financial statement.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Food Service
Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$193,402
Cash Payments to Suppliers for Goods and Services	(98,600)
Cash Payments to Employees for Services	(81,714)
Cash Payments for Employee Benefits	(38,366)
Cash Payments for Other Expenses	(428)
	(25,706)
Net Cash Used for Operating Activities	(25,706)
Cash Flows from Noncapital Financing Activities:	
Operating Grants Received	30,809
Cash Flows for Capital Financing Activities	
Acquisition for Fixed Assets	
Cash Flows from Investing Activities	
Investment Earnings	495
	495
Net Decrease in Cash and Cash Equivalents	5,598
Cash and Cash Equivalents at Beginning of Year	17,291
	22,889
Cash and Cash Equivalents at End of Year	22,889
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	(68,867)
	(68,867)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	8,979
Donated Commodities Used During Year	31,279
Other (Donations and Contributions)	5,874
Decrease (Increase) in Assets	
Decrease in Accounts Receivable	66
Increase in Inventory Held for Resale	(5,282)
Decrease in Prepaid Items	67
Decrease in Materials and Supplies Inventory	240
Increase (Decrease) in Liabilities	
Decrease in Accounts Payable	(22)
Increase in Accrued Wages and Benefits	893
Increase in Compensated Absences Payable	1,105
Decrease in Intergovernmental Payable	(38)
	(38)
Total Adjustments	43,161
Net Cash Used For Operating Activities	(\$25,706)

Noncash financing activities:

The Lunch Room Enterprise Fund received \$31,279 in Federal Commodities and \$5,874 in commodities donated by a private source.

The notes to the financial statement are an integral part of the financial statement.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

1. REPORTING ENTITY

Fort Loramie Local School District (the "School District") operates under a locally-elected Board form of government and provides educational services as authorized by state and/or federal agencies. This Board controls the School District's two instructional/support facilities staffed by 31 non-certificated employees, 54 certificated teaching personnel and 5 administrative employees to provide services to 819 students and other community members.

The School District was established in 1884 as the Berlin Village School and reached its current form in 1953 when Sherman School and St. Patrick's School were added to the Fort Loramie Local School District. It is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at-large for staggered four year terms.

The School District serves an area of approximately 42 square miles. It is located in Shelby and Darke Counties. The School District is the 539th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It currently operates one elementary school and one junior high and high school, the latter of which houses the central administrative offices.

A. Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government 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 organizations' 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 organizations' 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 District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District does not have any component units.

The School District is associated with five jointly governed organizations and three group insurance purchasing pools. These organizations include the Western Ohio Computer Organization, Upper Valley Joint Vocational School, the Shelby County Local Professional Development Committee, the West Central Ohio Special Education Regional Resource Center, the Southwestern Ohio Education Purchasing Council, the Shelby County Schools Consortium, the Ohio School Plan, and the Southwestern Ohio Education Purchasing Council Workers Compensation Group Rating Plan. These organizations are presented in Notes 17 and 18 to the combined financial statements.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net expendable available resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

1. Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in the enterprise fund and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

General Fund

The general fund is the operating fund of the School District and 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.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Fund

The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by the enterprise fund or trust funds).

2. Proprietary Fund Types:

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

Enterprise Funds

The enterprise fund is used to account for the food service operations. Food service operations are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

3. Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include expendable trust, non-expendable trust and agency funds. The district has no expendable or non-expendable trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4. Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary fund types are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types and agency funds. The full accrual basis of accounting is followed for the proprietary fund types.

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

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

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

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred revenue arises when assets are recognized before revenue recognition criteria has been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue.

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

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

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function within the General Fund, Debt Service Fund, and the Lunch Room Enterprise Fund. All other funds are budgeted at the fund, special cost center level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

1. Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Shelby County Budget Commission for rate determination.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final Amended Certificate issued during fiscal year 2002.

3. Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the appropriate level of expenditures. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental appropriations were legally enacted.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, except agency funds, consistent with statutory provisions.

4. Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year-end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for the enterprise fund.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Lapsing of Appropriations:

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

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 the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 2002, investments were limited to non-negotiable certificates of deposit. Nonparticipating investments contracts such as nonnegotiable certificates of deposit are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2002 amounted to \$42,252 which includes \$11,994 assigned from other School District funds.

Cash and cash equivalents held by the School District but outside of the School District treasury for grant dollars held by another governmental entity are presented on the balance sheet as "Cash and Cash Equivalents in Segregated Accounts."

For purposes of the Statement of Cash Flows and for presentation of the Combined Balance Sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

E. Inventory

Inventories of governmental funds are stated at cost while inventories of the enterprise fund are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items are recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of the enterprise fund consist of donated food, purchased food and school supplies held for resale and are expensed when used.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts require statute to be set-aside by the School District to create a reserve for budget stabilization. See note 2- N for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the enterprise fund are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The School District maintains a capitalization threshold of two thousand five hundred dollars.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fund fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise fund is computed using the straight-line method over an estimated useful life of six to twenty-five years. The School District does not have any infrastructure.

I. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after twelve (12) years of current service with the School District.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the enterprise fund, the entire amount of compensated absences is reported as a fund liability.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pensions obligations that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than two months after the fiscal year-end are considered not to have used current available financial resources. Bonds are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by the enterprise fund are reported as liabilities in the enterprise fund.

K. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

L. Estimates

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

M. Fund Balance Reserves and Designation

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The designation for textbooks and capital improvements in the general fund represents revenues set aside that exceed statutorily required amounts.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Statutory Reserves

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 year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization. The School District is required by state law to set aside certain general fund revenue amounts, as defined. During the fiscal year ended June 30, 2002, the reserve activity was as follows:

	Textbooks	Capital Improvements	Budget Stabilization
Cash Balance as of June 30, 2001	\$ (70,954)	\$ (402,670)	\$ 105,624
Current Year Requirements	\$ 98,304	\$ 98,304	
Current Year Offsets		\$ (444,537)	
Qualifying Disbursements	\$ (210,714)	\$ (99,412)	
Set-aside Carried Forward to Future Fiscal Years	\$ (183,364)	\$ (848,315)	\$ 105,624
Set-aside Reserve Balance as of June 30, 2002			\$ 105,624
Set-aside Designation Balance as of June 30, 2002	\$ 1,646	\$ 51,514	

The School District had qualifying disbursements and offsets during the fiscal year that reduced the textbook and/or capital improvements set-aside amounts below zero. These extra amounts may be used to reduce the set-aside requirements in future fiscal years. The total reserve balance for the three set-asides at the end of the fiscal year was \$105,624.

O. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

3. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2002, the School District has increased the threshold amount for capitalizing fixed assets. The threshold amount was increased from \$250 to \$2,500.

Fixed assets and accumulated depreciation in the Food Service enterprise fund decreased due to the change in the threshold amount for capitalizing fixed assets. Fixed assets decreased \$50,408, from \$232,728 to \$182,320, and accumulated depreciation decreased \$20,718, from \$58,106 to \$37,388. Contributed capital increased \$12,848, from \$101,348 to \$114,196.

As a result of the above restatements, retained earnings as previously reported as of June 30, 2001, decreased \$42,538, from \$65,439 to \$22,901.

The fixed assets reported in the general fixed assets account group decreased \$1,455,316, from \$13,125,380 to \$11,670,064.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

4. ACCOUNTABILITY

At June 30, 2002, the Summer Intervention special revenue funds had deficit fund balances of \$1,913. This deficit fund balance was created by the application of generally accepted accounting principles. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

5. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and the Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - Enterprise Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the enterprise fund (GAAP basis).
4. For the enterprise fund, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. The School District does not budget for the activities of grants held and administered by the Shelby County Educational Service Center; however, the activities of the grants are included in the special revenue funds for GAAP reporting.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses All Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$170,087	\$ 5,035	\$ 26,593	\$186,615
Increase (Decrease) Due to:				
Revenue Accruals				
Accrued FY 2002, Received in Cash FY 2003	307,965	7,257	27,128	5,000
Accrued FY 2003, Not Yet Received in Cash	(267,266)	(2,507)	(21,501)	(298)
Expenditure Accruals				
Accrued FY 2002, Paid in Cash FY 2003	(535,900)	(13,053)		(36,724)
Accrued FY 2003, Not Yet Paid in Cash	592,274	11,909		22,577
Net Unrecorded Cash				108
Prepaid Items	(11,742)	6,207		
Advances In (Out)	20,592	3,065		(24,678)
Non-budgeted Cash		5,726		
Encumbrances Outstanding at Year End (Budget Basis)	(86,563)	(20,311)		(44,873)
Budget Basis	\$189,447	\$ 3,328	\$32,220	\$107,727

**Net Loss/Excess of Revenues Over Expenses
Enterprise Fund**

	Food Service
GAAP Basis	(\$421)
Increase (Decrease) Due To:	
Prepaid Items	68
Revenue Accruals	77
Expense Accruals	1,936
Inventory of Materials and Supplies	240
Inventory Held for Resale	(5,282)
Depreciation Expense	8,979
Encumbrances Outstanding at Year End	(700)
Budget Basis	\$4,897

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

6. DEPOSITS AND INVESTMENTS

The Treasurer is responsible for selecting depositories and investing funds. State statutes classify monies held by the School District into three categories.

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

Inactive deposits are public deposits that the Board 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 moneys. Interim moneys are those moneys which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer, by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

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 pass book accounts. Interim moneys may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marking association. All federal agency services shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

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

Cash on Hand: At fiscal year end, the School District had \$2,028 in undeposited cash on hand which is included on the Combined Balance Sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents."

At fiscal year end, the School District's special revenue funds had a balance of \$3,498 with the Shelby County Educational Service Center (ESC). The money is held by the ESC in a pooled account which is representative of numerous funds therefore cannot be classified by risk under GASB Statement 3. The classification of cash and cash equivalents along with financial information for the Shelby County Educational Service Center as a whole may be obtained from the Shelby County Educational Service Center, 129 East Court Street, Sidney, Ohio, 45365.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposit with Financial Institution, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$1,647,640 and the bank balance was \$1,815,153. Of the bank balance:

1. \$200,000 was covered by federal depository insurance; and
2. \$1,615,153 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirement could potentially subject the School District to a successful claim by the FDIC.

Investments: The School District's investments are to be categorized to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

The classification of cash, cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. The classification of cash and cash equivalents (deposits) and investments for purposes of the note above is based on criteria set forth in GASB Statement No. 3.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

7. PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2002 represent the collection of calendar year 2001 taxes. Real property taxes for calendar year 2002 are levied after April 1, 2001, on the assessed values as of January 1, 2001, 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 real and tangible personal property taxes for calendar year 2002 were levied after April 1, 2001, on the assessed values as of December 31, 2000, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2002 (other than public utility property) represent the collection of calendar year 2002 taxes. Tangible personal property taxes for calendar year 2002 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at 25 percent of true value. 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.

The School District receives property taxes from Shelby and Darke Counties. The Shelby County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2002, was \$60,120 in the General Fund and \$21,501 in the Bond Retirement debt service fund. The amount available as an advance at June 30, 2001, was \$66,525 in the General Fund and \$27,128 in the Bond Retirement debt service fund.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

7. PROPERTY TAXES (Continued)

The assessed values upon which fiscal year 2002 taxes were collected are:

	2001 Second- Half Collections		2002 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$55,211,120	89.01%	\$56,521,910	88.59%
Public Utility	2,369,960	3.82%	1,952,150	3.06%
Tangible Personal Property	4,449,420	7.17%	5,329,065	8.35%
Total Assessed Value	<u>\$62,030,500</u>	<u>100.00%</u>	<u>\$63,803,125</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$45.90		\$44.90	

8. INCOME TAX

The School District levies a voted tax of 3/4 percent for general operations on the income of residents and estates. Initially, the tax was effective on January 1, 1995 through December 1999. In May 1999, the tax was renewed for another five-year period, effective January 1, 2000. 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.

9. RECEIVABLES

Receivables at June 30, 2002 consisted of taxes, accounts (student fees and billings for user charged services), interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Student fees may also be considered collectible in full due to the withholding of diplomas and grade cards; however the amount is generally not material.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund:	
SF-14 Tuition	\$1,279
JV04 FY 2002 Foundation Adjustment	2,690
Sale of Fixed Assets	<u>1,350</u>
General Fund Total	5,319
Special Revenue Funds	
Eisenhower Grant	614
Special Revenue Funds Total	<u>614</u>
Total Intergovernmental Receivable	<u>\$5,933</u>

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

10. INTERFUND ACTIVITY

As of June 30, 2002, receivables and payables that resulted from various interfund transactions were as follows:

Fund Type/Fund	Interfund	
	Receivable	Payable
General Fund	\$3,065	\$0
Special Revenue Funds		
Summer Intervention Fund	0	3,065
Total All Funds	\$3,065	\$3,065

11. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2002 follows:

Furniture and Equipment	\$182,320
Less Accumulated Depreciation	(46,367)
Net Fixed Assets	\$135,953

A summary of the changes in general fixed assets during fiscal year 2002 follows:

Asset Category	Balance at June 30, 2001	Additions	Reductions	Balance at June 30, 2002
Land and Improvements	\$330,820	\$14,315	\$0	\$345,135
Buildings and Improvements	10,328,514	4,763	0	10,333,277
Furniture, Fixtures and Equipment	554,941	71,779	(17,487)	609,233
Vehicles	455,789	13,900	0	469,689
Totals	\$11,670,064	\$104,757	(\$17,487)	\$11,757,334

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

12. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002, the School District contracted for the following insurance coverage:

Utica Insurance		
Building and Contents - Replacement cost (\$1,000 deductible - 90% co-insurance)		\$16,100,000
Inland Marine Coverage (\$250 deductible)		948,518
Automobile Liability		1,000,000
Uninsured Motorists		1,000,000
Medical Payments per person		5,000
Ohio School Plan		
General Liability		
Per occurrence		1,000,000
Annual Aggregate		3,000,000

The School District has not incurred any claims greater than insured coverages for the last three years and there has been no significant reduction in coverages from the prior year.

For fiscal year 2002, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

For fiscal year 2002, the School District participated in the Southwestern Ohio Educational Purchasing Council Worker's Compensation Group Rating Plan (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 workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan.

A participant will then either receive money from or be required to contribute to the "Group Saving Fund." This "group saving" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. Each participant must apply annually. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the Plan.

The School District participates in the Shelby County Insurance Consortium, a public entity risk-purchasing group. The group includes seven local school districts and the Shelby County Educational Service Center. The consortium has contracted with Community Insurance Corporation to provide employee medical/surgical and dental coverages. Rates are set annually by the insurance carrier. The School District pays monthly premiums to the insurance carrier. The employees share the cost of the monthly medical/surgical premium with the Board. Vision insurance is provided to all eligible employees, under a policy with Vision Plan of America. Term Life insurance is provided to all eligible employees, under a policy with Medical Life Insurance Company.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

13. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2002. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$248,283; \$237,994 and \$142,212, respectively; 83 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002, in the amount of \$42,465, is recorded as a liability within the respective funds.

B. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 5.46 percent was the portion used to fund pension obligations for fiscal year 2002. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$35,707, \$26,400, and \$30,051, respectively; 43 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002, in the amount of \$20,419, is recorded as a liability within the respective funds and the general long-term obligations account group.

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, 2002, two of the five member of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

14. POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2002, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$117,608.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,256 million at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including surcharge, equaled \$65,833 during the 2002 fiscal year.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expense for health care for the fiscal year ended June 30, 2001 (the latest information available), was \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

15. EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Administrators who work twelve months per year earn twenty days of vacation per year. Classified employees earn ten to twenty days of vacation per contract year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

15. EMPLOYEE BENEFITS (Continued)

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 210 days for school personnel. Upon retirement, payment is made for 21 percent of their accrued, but unused sick leave credit to a maximum of 44.1 days for both classified and certificated employees.

B. Health Care Benefits

The School District provides life insurance and accidental death and dismemberment insurance, 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.

16. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	<u>Interest Rate</u>	<u>Principal Outstanding 6/30/01</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/02</u>
<u>General Long-Term Obligations:</u>					
General Obligation Bonds					
1982 School Facilities Issue	11%	\$140,000	\$0	\$70,000	\$70,000
1998 School Facilities Issue					
Serial and Term Bonds	3.7 - 5.00%	5,695,000	0	145,000	5,550,000
Capital Appreciation Bonds	16.25 -19%	180,303	33,229	0	213,532
Total General Obligation Bonds		6,015,303	33,229	215,000	5,833,532
Compensated Absences		327,936	0	6,196	321,740
Intergovernmental Payables		34,440	37,119	34,440	37,119
Total Long-Term Obligations		<u>\$6,377,679</u>	<u>\$70,348</u>	<u>\$255,636</u>	<u>\$6,192,391</u>

A. General Obligation Bonds

1982 School Facilities Issue

On November 1, 1982, the School District issued \$1,360,000 in voted general obligation school improvement bonds for the purpose of building and furnishing a high school building. The bonds were issued for twenty- one years with final maturity in fiscal year 2003 and will be paid from property taxes collected and placed in the School District's bond retirement fund.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

16. LONG-TERM OBLIGATIONS (Continued)

1998 School Facilities Issue

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

The term bonds maturing on December 1, 2018, 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, 2016, (with the balance of \$270,000 to be paid at stated maturity on December 1, 2018) 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>
2016	\$245,000
2017	255,000
2018	270,000

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, 2019, (with the balance of \$400,000 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>
2019	\$285,000
2020	295,000
2021	310,000
2022	325,000
2023	345,000
2024	360,000
2025	380,000

Current serial bonds redeemed by other than mandatory redemption, or purchased for cancellation, may be credited against the applicable mandatory redemption requirement.

The serial bonds maturing after December 1 in 2009 are subject to optional redemption, in whole or in part of any date in inverse order of maturity and by lot within a maturity, in integral multiples of \$5,000 at the option of the School District on or after December 1, 2009 at the redemption prices (expressed as percentages of the principal amount to be redeemed) set forth below, plus accrued interest to the redemption date:

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

16. LONG-TERM OBLIGATIONS (Continued)

Redemption Dates (Dates Inclusive)	Redemption Prices
December 1, 2008 through November 30, 2009	101.0%
December 1, 2009 through November 30, 2010	100.5%
December 1, 2010 and thereafter	100.0%

The capital appreciation bonds will mature in fiscal years 2007 through 2009. The maturity amount of the bonds is \$525,000. For fiscal year 2002, \$33,229 was accredited for a total bond value of \$213,532.

Compensated absences and intergovernmental payable will be paid from the fund from which the employees' salaries are paid.

The School District's overall legal debt margin was \$124,824 with an unvoted debt margin of \$63,803 at June 30, 2002.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2002 are as follows:

Fiscal Year Ending June 30,	Total
2003	487,195
2004	412,015
2005	415,254
2006	481,343
2007	415,355
2008 – 2012	2,000,659
2013 -- 2017	2,066,906
2018 – 2022	2,050,326
2023 -- 2027	2,045,500
	\$10,374,553

17. JOINTLY GOVERNED ORGANIZATIONS

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.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

17. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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 Lewis Ivey, Jr., who serves as its administrator, 129 East Court Street, Sidney, Ohio 45365.

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, William Stump, Treasurer, at 8811 Career Drive, Piqua, Ohio 45356.

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, 1831 Harshman Road, Dayton, Ohio 45424.

West Central Ohio Special Education Regional Resource Center - The West Central Ohio Special Education Regional Resource Center (SERRC) is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

The SERRC is governed by a board of 52 members made up of the superintendents of the 50 participating districts and a non-public school, and a representative from Wright State University, whose terms rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Krista Hart, Treasurer, at the Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

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 GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

18. INSURANCE PURCHASING POOLS

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 Mike Elsass, who serves as consultant to the group, The Pinnacle Advisory Group, 131 North Ludlow Street, Dayton, Ohio 45402.

Southwestern Ohio Educational 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 Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Program (the Plan), was established as an insurance purchasing pool.

The Plan's business and affairs are conducted by the Southwestern Ohio Educational Purchasing Council and the participating members of the Plan. The Benefits Administrator of the SOEPC coordinates the management and administration of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program. Financial information can be obtained from the Southwestern Ohio Educational Purchasing Council, 1831 Harshman Road, Dayton, Ohio 45424.

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

19. CONTINGENT LIABILITIES

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, 2002.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

19. CONTINGENT LIABILITIES

B. Litigation

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

20. SCHOOL FUNDING

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..." The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

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FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2001

	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$622,906	\$95,824	\$183,855	\$42,640
Cash and Cash Equivalents In Segregated Accounts		9,225		
Receivables:				
Property Taxes	1,285,448		455,760	
Income Taxes	271,919			
Accounts	3,911	8,195		5,000
Intergovernmental	2,052	12,163		18,986
Accrued Interest	5,459	13		
Interfund Receivable	27,959			
Inventory Held for Resale				
Materials and Supplies Inventory	21,253	152		
Prepaid Items	26,149	12,400		
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	126,776			
Cash and Cash Equivalents in Segregated Accounts				24,328
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Obligation Debt				
Amount to be provided from General Government Resources				
Total Assets and Other Debits:	<u>2,393,832</u>	<u>137,972</u>	<u>639,615</u>	<u>90,954</u>
Liabilities, Fund Equity and Other Credits:				
Liabilities:				
Accounts Payable	28,956	4,949		1,200
Contracts Payable				11,196
Accrued Wages and Benefits	400,562	3,960		
Compensated Absences Payable	28,958			
Liabilities against Restricted Assets				
Retainage Payable				24,328
Interfund Payable	39	3,281		24,678
Intergovernmental Payable	82,516	864		
Deferred Revenue	1,259,995	13,114	428,632	18,986
Undistributed Assets				
Due to Students				
General Obligation Bonds Payable				
Total Liabilities:	<u>1,801,026</u>	<u>26,168</u>	<u>428,632</u>	<u>80,388</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved:				
Reserved for Encumbrances	9,331	28,888		6,548
Reserved for Bus Purchase	21,152			
Reserved for Inventory	21,253	152		
Reserved for Property Taxes	66,525		27,128	
Reserved for Budget Stabilization	105,624			
Designation for Capital Improvements	29,756			
Designated for Textbooks & Instructional Materials	28,610			
Unreserved, Undesignated	310,555	82,764	183,855	4,018
Total Fund Equity and Other Credits	<u>592,806</u>	<u>111,804</u>	<u>210,983</u>	<u>10,566</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$2,393,832</u>	<u>\$137,972</u>	<u>\$639,615</u>	<u>\$90,954</u>

The notes to the financial statements are an integral part of this financial statement.

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Asset	General Long-Term Obligations	
Enterprise	Agency			
\$17,291	\$46,895			\$1,009,411 9,225
				1,741,208
				271,919
68				17,174
				33,201
40				5,512
	39			27,998
3,426				3,426
954				22,359
469				39,018
				126,776
				24,328
174,622		13,125,380		13,300,002
			210,983	210,983
			6,166,696	6,166,696
<u>196,870</u>	<u>46,934</u>	<u>13,125,380</u>	<u>6,377,679</u>	<u>23,009,236</u>
22				\$35,127
				11,196
11,459				415,981
5,575			327,936	362,469
				24,328
				27,998
9,837			34,440	127,657
3,190				1,723,917
	753			753
	46,181			46,181
			6,015,303	6,015,303
<u>30,083</u>	<u>46,934</u>		<u>6,377,679</u>	<u>8,790,910</u>
		13,125,380		13,125,380
101,348				101,348
65,439				65,439
				44,767
				21,152
				21,405
				93,653
				105,624
				29,756
				28,610
				581,192
<u>166,787</u>		<u>13,125,380</u>		<u>14,218,326</u>
<u>\$196,870</u>	<u>\$46,934</u>	<u>\$13,125,380</u>	<u>\$6,377,679</u>	<u>\$23,009,236</u>

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Revenues:					
Property Taxes	\$1,305,659		\$501,389		\$1,807,048
Income Taxes	576,016				576,016
Intergovernmental	2,782,291	117,093	62,949	125,735	3,088,068
Interest	75,107	543		28,999	104,649
Net Increase in Fair Value of Investments				(7,130)	(7,130)
Tuition and Fees	78,633	2,353			80,986
Rent	4,091				4,091
Extracurricular Activities		116,323			116,323
Gifts and Donations	6,131	21,193		39,768	67,092
Customer Services	980	4,665			5,645
Miscellaneous	32,542	7,262		41,390	81,194
Total Revenues	<u>4,861,450</u>	<u>269,432</u>	<u>564,338</u>	<u>228,762</u>	<u>5,923,982</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,473,560	60,328		8,000	2,541,888
Special	318,463	33,182			351,645
Vocational	46,911	1,530			48,441
Adult/Continuing	389				389
Other	4,791				4,791
Support services:					
Pupils	295,358	81,334			376,692
Instructional Staff	272,873	25,708		28,223	326,804
Board of Education	14,433				14,433
Administration	416,228	152			416,380
Fiscal	135,504		10,197		145,701
Business	640				640
Operation and Maintenance of Plant	387,093				387,093
Pupil Transportation	174,174				174,174
Central	47,957	6,077		452	54,486
Non-Instructional Services		365			365
Extracurricular activities	146,337	79,793			226,130
Capital Outlay	55,197	6,455		1,075,842	1,137,494
Debt Service:					
Principal Retirement	9,807		210,000		219,807
Interest and Fiscal Charges	104		294,200		294,304
Total Expenditures	<u>4,799,819</u>	<u>294,924</u>	<u>514,397</u>	<u>1,112,517</u>	<u>6,721,657</u>
Excess of Revenues Over (Under) Expenditures	<u>61,631</u>	<u>(25,492)</u>	<u>49,941</u>	<u>(883,755)</u>	<u>(797,675)</u>
Other Financing Sources (Uses):					
Operating Transfers In		500			500
Proceeds from Sale of Fixed Assets	583			10,000	10,583
Operating Transfers Out	(500)				(500)
Total Other Financing Sources (Uses)	<u>83</u>	<u>500</u>		<u>10,000</u>	<u>10,583</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>61,714</u>	<u>(24,992)</u>	<u>49,941</u>	<u>(873,755)</u>	<u>(787,092)</u>
Fund Balances at Beginning of Year	<u>527,228</u>	<u>136,808</u>	<u>161,042</u>	<u>884,321</u>	<u>1,709,399</u>
Increase (Decrease) in Reserve for Inventory	<u>3,864</u>	<u>(12)</u>			<u>3,852</u>
Fund Balances End of Year	<u><u>\$592,806</u></u>	<u><u>\$111,804</u></u>	<u><u>\$210,983</u></u>	<u><u>\$10,566</u></u>	<u><u>\$926,159</u></u>

The notes to the financial statements are an integral part of this financial statement.

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**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (BUDGET BASIS) - ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDING JUNE 30, 2001**

	General Fund		
	Revised Budget	Actual	Variance
Revenues:			
Property Taxes	\$1,297,650	\$1,297,717	\$67
Income Taxes	531,015	531,028	13
Intergovernmental	2,740,054	2,782,291	42,237
Interest	55,500	81,029	25,529
Tuition and Fees	66,397	80,981	14,584
Rent	3,300	4,019	719
Extracurricular Activities			
Gifts and Donations		6,131	6,131
Customer Services	980	980	
Miscellaneous	1,000	17,262	16,262
Total Revenues	4,695,896	4,801,438	105,542
Expenditures:			
Current:			
Instruction:			
Regular	2,513,071	2,491,138	21,933
Special	323,783	319,323	4,460
Vocational	55,028	52,521	2,507
Adult	580	391	189
Other	4,885	4,984	(99)
Support services:			
Pupils	316,890	314,703	2,187
Instructional Staff	290,062	272,379	17,683
Board of Education	17,211	17,313	(102)
Administration	424,679	420,186	4,493
Fiscal	137,475	135,398	2,077
Business	660	640	20
Operation and Maintenance of Plant	423,012	414,127	8,885
Pupil Transportation	183,888	178,768	5,120
Central	48,927	48,112	815
Non-Instructional Services			
Extracurricular activities	144,102	143,839	263
Capital Outlay	64,038	63,364	674
Debt Service:			
Principal Retirement	9,808	9,807	1
Interest and Fiscal Charges	105	104	1
Total Expenditures	4,958,204	4,887,097	71,107
Excess of Revenues Over (Under) Expenditures	(262,308)	(85,659)	176,649
Other Financing Sources and Uses:			
Operating Transfers In			
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures		16,120	16,120
Advances In	100,387	87,259	(13,128)
Other Financing Sources		34	34
Operating Transfers Out	(4,971)	(500)	4,471
Refund of Prior Year Receipts	(8)	(7)	1
Advances Out		(7,799)	(7,799)
Total Other Financing Sources (Uses)	95,408	95,107	(301)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(166,900)	9,448	176,348
Fund Balances at Beginning of Year	507,983	507,983	
Prior Year Encumbrances Appropriated	132,196	132,196	
Fund Balances at End of Year	\$473,279	\$649,627	\$176,348

The notes to the financial statement are an integral part of the financial statement.

Special Revenue			Debt Service			Capital Projects		
Revised Budget	Actual	Variance	Revised Budget	Actual	Variance	Revised Budget	Actual	Variance
			\$498,985	\$498,986	\$1			
63,889	63,889		62,925	62,949	24	41,606	125,735	84,129
522	539	17				30,719	32,288	1,569
2,620	2,323	(297)						
117,494	116,545	(949)						
14,393	15,424	1,031				38,682	39,768	1,086
4,846	4,665	(181)						
6,109	6,923	814				41,390	41,390	
209,873	210,308	435	561,910	561,935	25	152,397	239,181	86,784
67,358	71,673	(4,315)				8,000	8,000	
1,530	1,530							
82,251	78,509	3,742						
34,631	18,565	16,066				27,202	27,202	
514		514						
			10,250	10,196	54			
						453	452	1
6,831	5,961	870						
500	550	(50)						
88,178	84,629	3,549						
11,755	6,455	5,300				1,583,516	1,579,334	4,182
			210,000	210,000				
			294,200	294,200				
293,548	267,872	25,676	514,450	514,396	54	1,619,171	1,614,988	4,183
(83,675)	(57,564)	26,111	47,460	47,539	79	(1,466,774)	(1,375,807)	90,967
500	500					3,971		(3,971)
						2,939	4,999	2,060
1,535	1,949	414						
	7,799	7,799						
(875)	(875)							
	(7,799)	(7,799)					(79,460)	(79,460)
1,160	1,574	414				6,910	(74,461)	(81,371)
(82,515)	(55,990)	26,525	47,460	47,539	79	(1,459,864)	(1,450,268)	9,596
109,539	109,539		136,316	136,316		35,895	35,895	
8,468	8,468					1,437,982	1,437,982	
\$35,492	\$62,017	\$26,525	\$183,776	\$183,855	\$79	\$14,013	\$23,609	\$9,596

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY -
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	Food Service
Operating Revenues:	
Sales	\$188,634
Operating Expenses:	
Salaries	80,859
Fringe Benefits	38,637
Purchased Services	10,591
Materials and Supplies	9,110
Cost of Sales	109,945
Depreciation	11,932
Other	418
Total Operating Expenses	261,492
Operating Loss	(72,858)
Non-Operating Revenues	
Federal Donated Commodities	23,924
Interest	531
Federal and State Subsidies	29,844
Capital Contributions	35,268
Other - Contributions and Donations	4,883
Total Non-Operating Revenues	94,450
Net Income	21,592
Residual Equity Transfers-Out	(1,117)
Retained Earnings at Beginning of Year	44,964
Retained Earnings at End of Year	65,439
Contributed Capital at Beginning and End of Year	101,348
Total Fund Equity at End of Year	\$166,787

The notes to the financial statements are an integral part of this financial statement.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
BUDGET AND ACTUAL (BUDGET BASIS) - ENTERPRISE FUND
FOR THE FISCAL YEAR ENDING JUNE 30, 2001**

	Food Service		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Sales	\$188,454	\$188,601	\$147
Federal and State Subsidies	29,846	29,949	103
Interest	600	622	22
Total Revenues:	<u>218,900</u>	<u>219,172</u>	<u>272</u>
Expenses:			
Salaries	82,049	80,948	1,101
Fringe Benefits	38,945	38,694	251
Purchased Services	12,774	11,570	1,204
Materials and Supplies	93,711	89,642	4,069
Other	473	473	
Capital Outlay	1,165	1,124	41
Total Expenses:	<u>229,117</u>	<u>222,451</u>	<u>6,666</u>
Excess of Revenues Over (Under) Expenses	(10,217)	(3,279)	6,938
Fund Equity at Beginning of Year	16,821	16,821	
Prior Year Encumbrances Appropriated	<u>2,751</u>	<u>2,751</u>	
Fund Equity at End of Year	<u><u>\$9,355</u></u>	<u><u>\$16,293</u></u>	<u><u>\$6,938</u></u>

The notes to the financial statement are an integral part of the financial statement.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBT COUNTY**

**STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	Food Service
Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$188,601
Cash Payments to Suppliers for Goods and Services	(101,338)
Cash Payments to Employees for Services	(80,948)
Cash Payments for Employee Benefits	(38,694)
Cash Payments for Other Expenses	(473)
	(32,852)
Net Cash Used for Operating Activities	
	(32,852)
Cash Flows from Noncapital Financing Activities:	
Operating Grants Received	29,949
Cash Flows for Capital Financing Activities	
Acquisition for Fixed Assets	
Cash Flows from Investing Activities	
Investment Earnings	622
	622
Net Decrease in Cash and Cash Equivalents	(2,281)
Cash and Cash Equivalents at Beginning of Year	19,572
	19,572
Cash and Cash Equivalents at End of Year	17,291
	17,291
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	(72,858)
	(72,858)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	11,932
Donated Commodities Used During Year	23,924
Other (Donations and Contributions)	4,883
Decrease (Increase) in Assets	
Increase in Accounts Receivable	(42)
Increase in Inventory Held for Resale	(155)
Increase in Prepaid Items	(46)
Increase in Materials and Supplies Inventory	(261)
Increase (Decrease) in Liabilities	
Decrease in Accounts Payable	(84)
Decrease in Accrued Wages and Benefits	(513)
Increase in Compensated Absences Payable	168
Increase in Intergovernmental Payable	200
	200
Total Adjustments	40,006
	40,006
Net Cash Used For Operating Activities	(\$32,852)
	(\$32,852)

Noncash financing activities:

Contributed capital in the amount of \$35,268 was provided by the Building Fund, to provide equipment for a new kitchen facility.

Fixed assets with a fair value of \$1,117 were transferred to the General Fixed Asset Account Group.

The notes to the financial statement are an integral part of the financial statement.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

1. REPORTING ENTITY

Fort Loramie Local School District (the "School District"), operates under a locally-elected Board form of government and provides educational services as authorized by state and/or federal agencies. This Board controls the School District's two instructional/support facilities staffed by 31 non-certificated employees, 55 certificated teaching personnel and 5 administrative employees to provide services to 846 students and other community members.

The School District was established in 1884 as the Berlin Village School and reached its current form in 1953 when Sherman School and St. Patrick's School were added to the Fort Loramie Local School District. It is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at-large for staggered four year terms.

The School District serves an area of approximately 42 square miles. It is located in Shelby and Darke Counties. The School District is the 531th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It currently operates one elementary school and one junior high and high school, the latter of which houses the central administrative offices.

A. Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government 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 organizations' 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 organizations' 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 District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District does not have any component units.

The School District is associated with five jointly governed organizations and two group insurance purchasing pools. These organizations include the Western Ohio Computer Organization, Upper Valley Joint Vocational School, the Shelby County Local Professional Development Committee, the West Central Ohio Special Education Regional Resource Center, the Southwestern Ohio Education Purchasing Council, the Shelby County Schools Consortium, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 18 and 19 to the combined financial statements.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net expendable available resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

1. Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in the enterprise fund and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

General Fund

The general fund is the operating fund of the School District and 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.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Fund

The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by the enterprise fund or trust funds).

2. Proprietary Fund Types:

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

Enterprise Funds

The enterprise fund is used to account for the food service operations. Food service operations are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

3. Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include expendable trust, non-expendable trust and agency funds. The district has no expendable or non-expendable trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4. Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary fund types are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types and agency funds. The full accrual basis of accounting is followed for the proprietary fund types.

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

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

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

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred revenue arises when assets are recognized before revenue recognition criteria has been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue.

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

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function within the General Fund, Debt Service Fund, and the Lunch Room/Proprietary Fund. All other funds are budgeted at the fund, special cost center level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

1. Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Shelby County Budget Commission for rate determination.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final Amended Certificate issued during fiscal year 2001.

3. Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the appropriate level of expenditures. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental appropriations were legally enacted.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, except agency funds, consistent with statutory provisions.

4. Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for the enterprise fund.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Lapsing of Appropriations:

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

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 the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 2001, investments were limited to non-negotiable certificates of deposit, open-end mutual funds, treasury notes, and treasury bills.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investments contracts such as nonnegotiable certificates of deposit are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$75,107, which includes \$19,107 assigned from other School District funds.

Cash and cash equivalents held by the School District but outside of the School District treasury for grant dollars held by another governmental entity are presented on the balance sheet as "Cash and Cash Equivalents in Segregated Accounts."

For purposes of the Statement of Cash Flows and for presentation of the Combined Balance Sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

E. Inventory

Inventories of governmental funds are stated at cost while inventories of the enterprise fund are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items are recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of the enterprise fund consist of donated food, purchased food and school supplies held for resale and are expensed when used.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

G. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts require statute to be set-aside by the School District for the purchase of textbooks and instructional materials, the acquisition or construction of capital assets and to create a reserve for budget stabilization. See note 2- N for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the enterprise fund are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The School District maintains a capitalization threshold of two hundred-fifty dollars.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fund fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise fund is computed using the straight-line method over an estimated useful life of six to twenty-five years. The School District does not have any infrastructure.

I. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after twelve (12) years of current service with the School District.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the enterprise fund, the entire amount of compensated absences is reported as a fund liability.

J. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pensions obligations that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than two months after the fiscal year-end are considered not to have used current available financial resources. Bonds and capital leases are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by the enterprise fund are reported as liabilities in the enterprise fund.

K. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

L. Estimates

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

M. Fund Balance Reserves and Designation

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

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The designation for textbooks and capital improvements in the general fund represents revenues set aside that exceed statutorily required amounts.

N. Statutory Reserves

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 year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization.

The School District is required by state law to set aside certain general fund revenue amounts, as defined. During the fiscal year ended June 30, 2001, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Cash Balance as of June 30, 2000	\$27,563	\$45,821	\$69,275
Current Year Requirements	108,989	108,989	36,349
Current Year Offsets	0	(432,114)	0
Qualifying Disbursements	<u>(207,506)</u>	<u>(125,366)</u>	<u>0</u>
Set-aside Carried Forward to Future Fiscal Years	(\$70,954)	(\$402,670)	\$105,624
Set-aside Reserve Balance as of June 30, 2001			<u>\$105,624</u>
Set-aside Designation Balance as of June 30, 2001	<u>\$28,610</u>	<u>\$29,756</u>	

The School District had qualifying disbursements and offsets during the fiscal year that reduced the textbook and/or capital improvements set-aside amounts below zero. These extra amounts may be used to reduce the set-aside requirements in future fiscal years. The total reserve balance for the three set-asides at the end of the fiscal year was \$105,624.

O. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

3. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2001, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues". These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established for accrual basis revenue recognition must be met and the revenues must be available. Implementation of this Statement did not materially affect the prior year's financial statements.

4. COMPLIANCE AND ACCOUNTABILITY

A. Compliance

At June 30, 2001, the school district's expenditures and outstanding encumbrances exceeded appropriations in the following objects within the General Fund:

<u>Function/Object</u>	<u>Appropriations</u>	<u>Expenditures plus Outstanding Encumbrances</u>	<u>Variance</u>
<u>Regular Instruction</u>			
Fringe Benefits	\$471,141	\$471,424	(\$283)
Purchased Services	24,722	25,033	(311)
<u>Other Instructions</u>			
Purchased Services	4,884	4,984	(100)
<u>Instructional Staff</u>			
Materials & Supplies	27,842	30,627	(2,785)
<u>Board of Education</u>			
Salaries	2,290	2,400	(110)
<u>Operation & Maintenance of Plant</u>			
Salaries	154,814	155,428	(614)
Fringe Benefits	42,551	42,613	(62)
<u>Central</u>			
Salaries	7,140	7,192	(52)

B. Accountability

At June 30, 2001, the Title I and Title VI-R special revenue funds had deficit fund balances of \$1,562 and \$5,402, respectively, and the ADA (Disabilities Access) Grant capital projects fund had a deficit fund balance of \$22,496. These deficit fund balances were created by the application of generally accepted accounting principles. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and the Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - Enterprise Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the enterprise fund (GAAP basis).
4. For the enterprise fund, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. The School District does not budget for the activities of grants held and administered by the Shelby County Educational Service Center; however, the activities of the grants are included in the special revenue funds for GAAP reporting.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

**Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$ 61,714	(\$24,992)	\$49,941	(\$873,755)
<u>Increase (Decrease) Due To:</u>				
Revenue Accruals:				
Accrued FY 2000, Received in Cash FY 2001	263,524	3,812	24,725	1,431
Accrued FY 2001, Not Yet Received in Cash	(308,794)	(7,257)	(27,127)	(5,000)
Expenditure Accruals:				
Accrued FY 2000, Paid in Cash FY 2001	(517,170)	(2,757)	0	(496,966)
Accrued FY 2001, Not Yet Paid in Cash	541,031	9,773	0	36,724
Net Unrecorded Cash			0	1,858
Increase in Fair Value of Investment	0	0	0	7,130
Prepaid Items	(5,960)	(1,400)	0	0
Advanced In (Out)	75,158	3,281	0	(78,439)
Non-budgeted Cash	0	(2,643)	0	0
Encumbrances Outstanding at Year End (Budget Basis)		(33,807)	0	(43,251)
Budget Basis	<u>\$ 9,448</u>	<u>(\$55,990)</u>	<u>\$47,539</u>	<u>(\$1,450,268)</u>

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Loss/Excess of Revenues Under Expenses Enterprise Fund	
	Food Service
GAAP Basis	\$21,592
<u>Increase (Decrease) Due To:</u>	
Prepaid Items	(46)
Revenue Accruals	154
Expense Accruals	(229)
Inventory of Materials and Supplies	(261)
Inventory Held for Resale	(155)
Depreciation Expense	11,932
Capital Contributions	(35,268)
Encumbrances Outstanding at Year End (Budget Basis)	(998)
Budget Basis	(\$3,279)

6. DEPOSITS AND INVESTMENTS

The Treasurer is responsible for selecting depositories and investing funds. State statutes classify monies held by the School District into three categories.

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

Inactive deposits are public deposits that the Board has identified as not required for use within the current two 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 moneys. Interim moneys are those moneys which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer, by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

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 pass book accounts. Interim moneys may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marking association. All federal agency services shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

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

Cash on Hand: At fiscal year end, the School District had \$223 in undeposited cash on hand which is included on the Combined Balance Sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents."

At fiscal year end, the School District's special revenue funds had a balance of \$9,225 with the Shelby County Educational Service Center (ESC). The money is held by the ESC in a pooled account which is representative of numerous funds therefore cannot be classified by risk under GASB Statement 3. The classification of cash and cash equivalents along with financial information for the Shelby County Educational Service Center as a whole may be obtained from the Shelby County Educational Service Center, 129 East Court Street, Sidney, Ohio, 45365.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposit with Financial Institution, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$1,160,184 and the bank balance was \$1,343,321. Of the bank balance:

1. \$124,328 was covered by federal depository insurance; and
2. \$1,218,993 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirement could potentially subject the School District to a successful claim by the FDIC.

Investments: The School District's investments are to be categorized to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. Investments in the mutual fund, totaling \$108, are unclassified since they are not evidenced by securities that exist in physical or book entry form.

The classification of cash, cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. The classification of cash and cash equivalents (deposits) and investments for purposes of the note above is based on criteria set forth in GASB Statement No. 3.

A reconciliation between the classifications of cash and investments on the combined financial statements and the classifications per GASB 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$1,169,740	
Cash on Hand	(223)	
Cash Held by E.S.C.	(9,225)	
Mutual Fund	(108)	108
GASB Statement 3	\$1,160,184	\$108

7. 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 GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

7. 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 and public utility property tax revenues received in calendar year 2001 represent the collection of calendar year 2000 taxes. Real property taxes for calendar year 2001 are levied after April 1, 2000, on the assessed values as of January 1, 2000, 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 real and tangible personal property taxes for calendar year 2001 were levied after April 1, 2000, on the assessed values as of December 31, 1999, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2001 (other than public utility property) represent the collection of calendar year 2001 taxes. Tangible personal property taxes for calendar year 2001 were levied after April 1, 2001, on the value as of December 31, 2001. Tangible personal property is currently assessed at 25 percent of true value. 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.

The School District receives property taxes from Shelby and Darke Counties. The Shelby County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2001, was \$66,525 in the General Fund and \$27,128 in the Bond Retirement debt service fund. The amount available as an advance at June 30, 2000, was \$58,583 in the General Fund and \$24,725 in the Bond Retirement debt service fund. The assessed values upon which fiscal year 2001 taxes were collected are:

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$52,217,490	89.38%	\$55,211,120	89.01%
Public Utility	2,732,060	4.68%	2,369,960	3.82%
Tangible Personal Property	3,469,267	5.94%	4,449,420	7.17%
Total Assessed Value	\$58,418,817	100.00%	\$62,030,500	100.00%
Tax rate per \$1,000 of assessed valuation	\$46.40		\$45.90	

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

8. INCOME TAX

The School District levies a voted tax of 3/4 percent for general operations on the income of residents and estates. Initially, the tax was effective on January 1, 1995 through December 2000. In May 2000, the tax was renewed for another five year period, effective January 1, 2001. 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.

9. RECEIVABLES

Receivables at June 30, 2001 consisted of taxes, accounts (student fees and billings for user charged services), interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Student fees may also be considered collectible in full due to the withholding of diplomas and grade cards; however the amount is generally not material. A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund:	
SF-14 Tuition	\$1,262
Refund of Excess Costs	790
General Fund Total	2,052
Special Revenue Funds	
Title I	1,562
Title II	245
Title VI-R	1,352
E-Rate	9,004
Special Revenue Funds Total	12,163
Capital Project	
ADA	18,986
Total Intergovernmental Receivable	\$33,201

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

10. INTERFUND ACTIVITY

As of June 30, 2001, receivables and payables that resulted from various interfund transactions were as follows:

<u>Fund Type/Fund</u>	Interfund	
	<u>Receivable</u>	<u>Payable</u>
General Fund	\$27,959	\$39
Special Revenue Funds		
Title I	0	1,929
Title VI-R	0	1,352
Capital Projects Funds:		
ADA Grant Fund	0	23,657
SchoolNet Professional Development Fund	0	1,021
Agency Fund		
Student Activity	39	0
Total All Funds	<u>\$27,998</u>	<u>\$27,998</u>

11. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2001 follows:

Furniture and Equipment	\$230,728
Vehicles	2,000
Less Accumulated Depreciation	(58,106)
Net Fixed Assets	<u>\$174,622</u>

A summary of the changes in general fixed assets during fiscal year 2001 follows:

<u>Asset Category</u>	<u>Balance at June 30, 2000</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2001</u>
Land and Improvements	\$311,252	\$22,960	\$0	\$334,212
Buildings and Improvements	3,714,867	6,638,878	(552)	10,353,193
Furniture, Fixtures and Equipment	1,507,736	534,848	(62,798)	1,979,786
Leased Furniture, Fixtures and Equipment	107,999	0	(107,999)	0
Vehicles	458,189	0	0	458,189
Construction in Progress	5,653,213	0	(5,653,213)	0
Totals	<u>\$11,753,256</u>	<u>\$7,196,686</u>	<u>(\$5,824,562)</u>	<u>\$13,125,380</u>

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

12. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District contracted with Utica National Insurance for property and fleet insurance and with Nationwide Insurance for liability insurance.

Coverages provided by Utica Insurance are as follows:

Building and Contents - Replacement cost (\$1,000 deductible - 90% co-insurance)	\$16,100,000
Inland Marine Coverage (\$250 deductible)	948,518
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000
Medical Payments per person	5,000

Coverages provided by Nationwide Insurance are as follows:

General Liability	
Per occurrence	\$2,000,000
Total per year	5,000,000

The School District has not incurred any claims greater than insured coverages for the last three years and there has been no significant reduction in coverages from the prior year.

For fiscal year 2001, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (the Plan), an insurance purchasing pool. The Plan is intended 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 workers' compensation experience rate is applied to all school districts in the Plan. Each participant pays its workers compensation premium to the state based on the rate for the plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percent of the Plan.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling fund" arrangement ensures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The school districts apply for participation each year. The firm of Gates McDonald and Co. provides administrative, cost control, and actuarial services to the Plan. Each year, the School District pays an enrollment fee to the Plan to cover the costs of administering the program.

The School District participates in the Shelby County Insurance Consortium, a public entity risk-purchasing group. The group includes seven local school districts and the Shelby County Educational Service Center. The consortium has contracted with Community Insurance Corporation to provide employee medical/surgical, dental, and term-life coverages. Rates are set annually by the insurance carrier. The School District pays monthly premiums to the insurance carrier. The employees share the cost of the monthly medical/surgical premium with the Board. Vision insurance is provided to all eligible employees, under a policy with Vision Plan of America.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

13. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$237,994, \$142,212, and \$129,336, respectively; 83 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$40,513, is recorded as a liability within the respective funds.

B. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 4.2 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 5.5 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$26,400, \$30,051, and \$39,990, respectively; 46 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$14,285, is recorded as a liability within the respective funds and the general long-term obligations account group.

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, 2001, none of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

14. POST-EMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2001, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$112,734.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,419 million at June 30, 2000 (the latest information available). For the fiscal year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000, and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$72,083 for fiscal year 2001.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340, and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

15. EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Administrators who work twelve months per year earn twenty days of vacation per year. Classified employees earn ten to twenty days of vacation per contract year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

15. EMPLOYEE BENEFITS (Continued)

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 210 days for school personnel. Upon retirement, payment is made for 21 percent of their accrued, but unused sick leave credit to a maximum of 44.1 days for both classified and certificated employees.

B. Health Care Benefits

The School District provides life insurance and accidental death and dismemberment insurance, 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.

16. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	<u>Interest Rate</u>	<u>Principal Outstanding 6/30/00</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/01</u>
<u>General Long-Term Obligations:</u>					
General Obligation Bonds					
1982 School Facilities Issue	11%	\$210,000	\$0	\$70,000	\$140,000
1998 School Facilities Issue					
Serial and Term Bonds	3.7 - 5.00%	5,835,000	0	140,000	5,695,000
Capital Appreciation Bonds	16.25 -19%	152,261	28,042	0	180,303
Total General Obligation Bonds		6,197,261	28,042	210,000	6,015,303
Capital Lease Payable		9,807		9,807	0
Compensated Absences		330,173	0	2,237	327,936
Intergovernmental Payables		32,329	34,440	32,329	34,440
Total Long-Term Obligations		<u>\$6,569,570</u>	<u>\$62,482</u>	<u>\$254,373</u>	<u>\$6,377,679</u>

A. General Obligation Bonds

1982 School Facilities Issue

On November 1, 1982, the School District issued \$1,360,000 in voted general obligation school improvement bonds for the purpose of building and furnishing a high school building. The bonds were issued for twenty-one years with final maturity in fiscal year 2003 and will be paid from property taxes collected and placed in the School District's bond retirement fund.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

16. LONG-TERM OBLIGATIONS (Continued)

1998 School Facilities Issue

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

The term bonds maturing on December 1, 2018, 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, 2016, (with the balance of \$270,000 to be paid at stated maturity on December 1, 2018) 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>
2016	\$245,000
2017	255,000
2018	270,000

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 2019, (with the balance of \$400,000 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>
2019	\$285,000
2020	295,000
2021	310,000
2022	325,000
2023	345,000
2024	360,000
2025	380,000

Current serial bonds redeemed by other than mandatory redemption, or purchased for cancellation, may be credited against the applicable mandatory redemption requirement.

The serial bonds maturing after December 1 in 2009 are subject to optional redemption, in whole or in part of any date in inverse order of maturity and by lot within a maturity, in integral multiples of \$5,000 at the option of the School District on or after December 1, 2009 at the redemption prices (expressed as percentages of the principal amount to be redeemed) set forth below, plus accrued interest to the redemption date:

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

16. LONG-TERM OBLIGATIONS (Continued)

Redemption Dates (Dates Inclusive)	Redemption Prices
December 1, 2008 through November 30, 2009	101.0%
December 1, 2009 through November 30, 2010	100.5
December 1, 2010 and thereafter	100.0

The capital appreciation bonds will mature in fiscal years 2007 through 2009. The maturity amount of the bonds is \$525,000. For fiscal year 2001, \$28,042 was accreted for a total bond value of \$180,303.

Compensated absences and intergovernmental payable will be paid from the fund from which the employees' salaries are paid.

The School District's overall legal debt margin was (\$178,057) with an unvoted debt margin of \$62,031 at June 30, 2001. On March 17, 1998, the Tax Equalization Department approved the School District as a Special Needs District that allows them to have a negative legal debt margin.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2001 are as follows:

Fiscal Year Ending June 30,	Total
2002	\$495,870
2003	487,195
2004	412,015
2005	415,254
2006	481,343
2007 - 2011	2,002,579
2012 - 2016	2,068,937
2017 - 2027	4,507,230
	\$10,870,423

17. CAPITALIZED LEASES - LESSEE DISCLOSURE

On September 4, 1997, the Board of Education entered into a lease agreement with Fleet Leasing (formerly Sanwa Leasing Corporation) of Troy, Michigan, for the purchase of computer hardware and software, as authorized under Section 3313.37 of the Ohio Revised Code. The lease is to run for a period of 36 months, with an estimated interest rate of 2.31 percent. Final payment is in September, 2001. The lease agreement was accounted for on a GAAP basis as a support service expenditure with an offsetting amount reported as an other financing source. The obligation was paid from the general fund.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

17. CAPITALIZED LEASES - LESSEE DISCLOSURE (Continued)

The leases meet the criteria of a capital lease as defined by the Statement of Financial Accounting Standards No. 13, "Accounting for Leases." which defines a capital lease generally as one which the lease term is equal to 75 percent or more of the estimated economic life of the leased property or which the present value of the lease, excluding executory costs, equals at least 90 percent of the fair value of the leased property. Capital lease payments have been classified and are reflected as debt service expenditures in the general purpose financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

Fixed assets acquired by lease had been capitalized in the general fixed assets account group in the amount of \$107,999, which was equal to the present value of the future minimum lease payments at the time of acquisition. During fiscal year 2001, the school district paid \$9,807 in lease payments. At the termination of the lease, the assets were returned, as per the options of the lease agreement.

18. JOINTLY GOVERNED ORGANIZATIONS

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 Lewis Ivey, Jr., who serves as its administrator, 129 East Court Street, Sidney, Ohio 45365.

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, William Stump, Treasurer, at 8811 Career Drive, Piqua, Ohio 45356.

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, 1831 Harshman Road, Dayton, Ohio 45424.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

18. JOINTLY GOVERNED ORGANIZATIONS (Continued)

West Central Ohio Special Education Regional Resource Center - The West Central Ohio Special Education Regional Resource Center (SERRC) is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

The SERRC is governed by a board of 52 members made up of the superintendents of the 50 participating districts and a non-public school, and a representative from Wright State University, whose terms rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Krista Hart, Treasurer, at the Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

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

19. INSURANCE PURCHASING POOL

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 Mike Elsass, who serves as consultant to the group, The Pinnacle Advisory Group, 131 North Ludlow Street, Dayton, Ohio 45402.

Ohio School Boards Association Workers' Compensation Group Rating Plan - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

20. CONTINGENT LIABILITIES

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, 2001.

B. Litigation

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

21. SCHOOL FUNDING

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
(Passed through Ohio Department of Education)						
Nutrition Cluster:						
Food Distribution	N/A	10.550		\$ 26,746		\$25,301
National School Lunch Program	049783 LL-P4	10.555	28,736		28,736	
Special Milk Program for Children	049783 -02PU	10.556	1,468		1,468	
Total U.S. Department of Agriculture - Nutrition Cluster			30,204	26,746	30,204	25,301
U.S. DEPARTMENT OF EDUCATION						
(Passed through Ohio Department of Education)						
Title I Grants to Local Educational Agencies	049783-C1-S1-2002	84.010	32,395		27,241	
Title I Grants to Local Educational Agencies	049783-C1-S1-2001	84.010	1,562		1,929	
Total			33,957		29,170	
Classroom Size Reduction Grant	149783-CRS1-2002	84.340	13,075		11,021	
Classroom Size Reduction Grant	149783-CRS1-2001	84.340	1,352		4,011	
Total			14,427		15,032	
Safe and Drug-Free School and Communities State Grant	049783-DRS1-2002	84.186	3,191		3,191	
Eisenhower Professional Development State Grants	049783-MSS1-2002	84.281	2,886			
Innovative Education Program Strategies	049783-C2S1-2002	84.298	4,206		4,206	
Technology Literacy Challenge Grant	049783-TF51-2001	84.318	100,000		100,000	
Technology Literacy Challenge Grant	049783-TF52-2001	84.318	74,660		74,830	
Technology Literacy Challenge Grant	049783-TF53-2001	84.318	25,000		12,763	
Technology Literacy Challenge Grant	049783-TFVL-2000	84.318	9,000		9,000	
Total			208,660		196,593	
Total U.S. Department of Education			267,327		248,192	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
(Passed through Ohio Department of Education)						
Child Care and Development Fund	049783-DCXX-2000	93.575	(4,396)			
Total U.S. Department of Health and Human Services			(4,396)			
Total Federal Assistance			\$293,135	\$26,746	\$278,396	\$25,301

See Accompanying Notes to the Schedule of Federal Awards Expenditures.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B -- NUTRITION CLUSTER

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.

NOTE C -- MATCHING REQUIREMENTS

Certain Federal programs require that the School District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The expenditure of non-Federal matching funds is not included on the Schedule.

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Fort Loramie Local School District
Shelby County
575 Greenback Road
PO Box 26
Fort Loramie, Ohio 45845

To the Board of Education:

We have audited the financial statements of Fort Loramie Local School District, Shelby County, as of and for the years ended June 30, 2002, and June 30, 2001, and have issued our report thereon dated January 2, 2003, wherein we noted the District's asset capitalization threshold changed for fiscal year ended June 30, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated January 2, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated January 2, 2003.

Fort Loramie Local School District
Shelby County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

January 2, 2003



STATE OF OHIO
OFFICE OF THE AUDITOR

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

Fort Loramie Local School District
Shelby County
575 Greenback Road
PO Box 26
Fort Loramie, Ohio 45845

To the Board of Education:

Compliance

We have audited the compliance of Fort Loramie Local School District, Shelby County, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

Internal Control Over Compliance

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

**Internal Control Over Compliance
(Continued)**

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

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

January 2, 2003

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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 weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions 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?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Technology Literacy Challenge Grant: CFDA # 84.318
<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 FOR FEDERAL AWARDS

None



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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
FEBRUARY 6, 2003**