



**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2000 AND 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying 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, 2000 and 1999, 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 generally accepted auditing standards 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 Fort Loramie Local School District, Shelby County, as of June 30, 2000 and 1999 and the results of its operations and the cash flows of its enterprise fund for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2001, 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.

JIM PETRO
Auditor of State

January 19, 2001

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**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$536,982	\$118,007	\$136,317	\$263,436
Investments	0	0	0	1,002,986
Cash and Cash Equivalents In Segregated Accounts	0	6,582	0	0
Receivables:				
Property Taxes	1,197,664	0	449,069	0
Income Taxes	190,996	0	0	0
Accounts	1,240	1,749	0	0
Intergovernmental	2,064	0	0	0
Accrued Interest	10,641	0	0	1,431
Interfund Receivable	103,117	500	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	17,389	164	0	0
Prepaid Items	20,189	11,000	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	103,197	0	0	0
Cash and Cash Equivalents in Segregated Accounts	0	0	0	216,551
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Obligation Debt	0	0	0	0
Amount to be provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	\$2,183,479	\$138,002	\$585,386	\$1,484,404
Liabilities, Fund Equity and Other Credits				
Liabilities:				
Accounts Payable	\$29,406	\$1,604	\$0	\$184
Contracts Payable	0	0	0	259,916
Accrued Wages and Benefits	385,845	653	0	0
Compensated Absences Payable	15,987	0	0	0
Retainage Payable	0	0	0	20,315
Retainage against Reserved Assets	0	0	0	216,551
Interfund Payable	0	500	0	103,117
Intergovernmental Payable	85,932	0	0	0
Deferred Revenue	1,139,081	0	424,344	0
Undistributed Assets	0	0	0	0
Due to Students	0	0	0	0
Capital Lease Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities:	1,656,251	2,757	424,344	600,083
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balances:				
Reserved:				
Reserved for Encumbrances	24,773	6,864	0	988,637
Reserved for Bus Purchase	6,359	0	0	0
Reserved for Inventory	17,389	164	0	0
Reserved for Property Taxes	58,583	0	24,725	0
Reserved for Textbooks & Instructional Materials	27,563	0	0	0
Reserved for Budget Stabilization	69,275	0	0	0
Designation for Capital Improvements	45,821	0	0	0
Unreserved, Undesignated (Deficit)	277,465	128,217	136,317	(104,316)
Total Fund Equity and Other Credits	527,228	135,245	161,042	884,321
Total Liabilities, Fund Equity and Other Credits	\$2,183,479	\$138,002	\$585,386	\$1,484,404

See Accompanying Notes to the General Purpose Financial Statements.

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$19,572	\$45,099	\$0	\$0	\$1,119,413
0	0	0	0	1,002,986
0	0	0	0	6,582
0	0	0	0	1,646,733
0	0	0	0	190,996
26	0	0	0	3,015
106	0	0	0	2,170
131	0	0	0	12,203
0	0	0	0	103,617
1,172	0	0	0	1,172
694	0	0	0	18,247
423	0	0	0	31,612
0	0	0	0	103,197
0	0	0	0	216,551
152,403	0	11,753,256	0	11,905,659
0	0	0	161,042	161,042
0	0	0	6,408,528	6,408,528
<u>\$174,527</u>	<u>\$45,099</u>	<u>\$11,753,256</u>	<u>\$6,569,570</u>	<u>\$22,933,723</u>
\$106	\$0	\$0	\$0	\$31,300
0	0	0	0	259,916
11,973	0	0	0	398,471
5,408	0	0	330,173	351,568
0	0	0	0	20,315
0	0	0	0	216,551
0	0	0	0	103,617
9,637	0	0	32,329	127,898
1,091	0	0	0	1,564,516
0	513	0	0	513
0	44,586	0	0	44,586
0	0	0	9,807	9,807
0	0	0	6,197,261	6,197,261
<u>28,215</u>	<u>45,099</u>	<u>0</u>	<u>6,569,570</u>	<u>9,326,319</u>
0	0	11,753,256	0	11,753,256
101,348	0	0	0	101,348
44,964	0	0	0	44,964
0	0	0	0	1,020,274
0	0	0	0	6,359
0	0	0	0	17,553
0	0	0	0	83,308
0	0	0	0	27,563
0	0	0	0	69,275
0	0	0	0	45,821
0	0	0	0	437,683
<u>146,312</u>	<u>0</u>	<u>11,753,256</u>	<u>0</u>	<u>13,607,404</u>
<u>\$174,527</u>	<u>\$45,099</u>	<u>\$11,753,256</u>	<u>\$6,569,570</u>	<u>\$22,933,723</u>

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**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, 2000**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Revenues:					
Property Taxes	\$1,157,719	\$0	\$452,039	\$0	\$1,609,758
Income Taxes	520,770	0	0	0	520,770
Intergovernmental	2,638,664	138,992	59,034	175,889	3,012,579
Interest	63,311	316	0	175,781	239,408
Net Increase in Fair Value of Investments	0	0	0	6,383	6,383
Tuition and Fees	79,218	2,418	0	0	81,636
Rent	3,818	0	0	0	3,818
Extracurricular Activities	0	120,769	0	0	120,769
Gifts and Donations	7,441	20,092	0	51,678	79,211
Customer Services	2,590	4,633	0	0	7,223
Miscellaneous	4,046	5,267	0	55,000	64,313
Total Revenues	4,477,577	292,487	511,073	464,731	5,745,868
Expenditures:					
Current:					
Instruction:					
Regular	2,239,430	13,085	0	13,869	2,266,384
Special	327,894	27,484	0	0	355,378
Vocational	44,439	0	0	0	44,439
Adult/Continuing	535	0	0	0	535
Other	2,842	0	0	0	2,842
Support services:					
Pupils	302,874	70,549	0	0	373,423
Instructional Staff	259,806	82,411	0	34,455	376,672
Board of Education	9,976	0	0	0	9,976
Administration	393,344	0	0	0	393,344
Fiscal	109,488	0	9,688	0	119,176
Business	639	0	0	0	639
Operation and Maintenance of Plant	311,592	0	0	120,608	432,200
Pupil Transportation	168,117	0	0	0	168,117
Central	44,885	6,924	0	0	51,809
Non-Instructional Services	0	282	0	0	282
Extracurricular activities	121,761	62,597	0	0	184,358
Capital Outlay	21,428	0	0	5,350,478	5,371,906
Debt Service:					
Principal Retirement	37,707	0	175,000	0	212,707
Interest and Fiscal Charges	1,939	0	306,573	0	308,512
Total Expenditures	4,398,696	263,332	491,261	5,519,410	10,672,699
Excess of Revenues Over (Under) Expenditures	78,881	29,155	19,812	(5,054,679)	(4,926,831)
Other Financing Sources (Uses):					
Operating Transfers In	0	210	0	30,508	30,718
Proceeds from Sale of Fixed Assets	6,125	0	0	0	6,125
Operating Transfers Out	(30,718)	0	0	0	(30,718)
Total Other Financing Sources (Uses)	(24,593)	210	0	30,508	6,125
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	54,288	29,365	19,812	(5,024,171)	(4,920,706)
Fund Balances at Beginning of Year	476,089	107,044	141,230	5,908,492	6,632,855
Decrease in Reserve for Inventory	(3,149)	(1,164)	0	0	(4,313)
Fund Balances End of Year	\$527,228	\$135,245	\$161,042	\$884,321	\$1,707,836

See Accompanying Notes to the General Purpose Financial Statements.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (NON GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$1,166,723	\$1,158,895	(\$7,828)	\$0	\$0	\$0
Income Taxes	490,000	486,979	(3,021)	0	0	0
Intergovernmental	2,558,796	2,639,556	80,760	95,775	98,775	3,000
Interest	53,500	60,470	6,970	195	337	142
Tuition and Fees	70,700	78,068	7,368	2,240	2,404	164
Rent	2,500	3,819	1,319	0	0	0
Extracurricular Activities	0	0	0	117,122	120,049	2,927
Gifts and Donations	0	7,441	7,441	8,608	20,092	11,484
Customer Services	2,000	2,590	590	4,600	4,633	33
Miscellaneous	700	6,788	6,088	6,100	5,842	(258)
Total Revenues	4,344,919	4,444,606	99,687	234,640	252,132	17,492
Expenditures:						
Current:						
Instruction:						
Regular	2,285,816	2,279,622	6,194	22,659	12,612	10,047
Special	381,748	370,947	10,801	0	0	0
Vocational	46,016	44,568	1,448	0	0	0
Adult	1,505	541	964	0	0	0
Other	5,983	4,174	1,809	0	0	0
Support services:						
Pupils	306,773	304,315	2,458	76,850	70,216	6,634
Instructional Staff	257,819	251,608	6,211	95,800	85,470	10,330
Board of Education	13,536	11,179	2,357	0	0	0
Administration	399,878	391,664	8,214	0	0	0
Fiscal	116,764	111,065	5,699	0	0	0
Business	1,505	639	866	0	0	0
Operation and Maintenance of Plant	329,634	325,465	4,169	0	0	0
Pupil Transportation	184,055	178,077	5,978	0	0	0
Central	50,985	44,835	6,150	6,917	6,569	348
Non-Instructional Services	0	0	0	600	500	100
Extracurricular activities	124,918	123,090	1,828	69,397	63,520	5,877
Capital Outlay	52,084	52,010	74	6,882	1,368	5,514
Debt Service:						
Principal Retirement	38,703	38,703	0	0	0	0
Interest and Fiscal Charges	944	943	1	0	0	0
Total Expenditures	4,598,666	4,533,445	65,221	279,105	240,255	38,850
Excess of Revenues Over (Under) Expenditures	(253,747)	(88,839)	164,908	(44,465)	11,877	56,342
Other Financing Sources and Uses:						
Operating Transfers In	0	0	0	210	210	0
Proceeds from Sale of Fixed Assets	0	482	482	0	0	0
Refund of Prior Year Expenditures	0	1,498	1,498	0	713	713
Advances In	0	142,165	142,165	0	0	0
Other Financing Sources	0	873	873	0	0	0
Operating Transfers Out	(30,718)	(30,718)	0	0	0	0
Refund of Prior Year Receipts	(407)	0	407	0	0	0
Advances Out	(105,230)	(104,887)	343	0	0	0
Total Other Financing Sources (Uses)	(136,355)	9,413	145,768	210	923	713
Excess of Revenues and Other Financing Sources Over (Under) Expend and Other Financing Uses	(390,102)	(79,426)	310,676	(44,255)	12,800	57,055
Fund Balances at Beginning of Year	468,621	468,621	0	73,685	73,685	0
Prior Year Encumbrances Appropriated	118,788	118,788	0	23,054	23,054	0
Fund Balances at End of Year	\$197,307	\$507,983	\$310,676	\$52,484	\$109,539	\$57,055

See Accompanying Notes to the General Purpose Financial Statements.

Debt Service Fund			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$445,972	\$450,913	\$4,941	\$0	\$0	\$0
0	0	0	0	0	0
59,032	59,034	2	205,889	175,889	(30,000)
0	0	0	287,396	294,659	7,263
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	50,852	51,678	826
0	0	0	0	0	0
0	0	0	55,000	55,000	0
<u>505,004</u>	<u>509,947</u>	<u>4,943</u>	<u>599,137</u>	<u>577,226</u>	<u>(21,911)</u>
0	0	0	21,869	13,869	8,000
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	34,615	34,615	0
0	0	0	0	0	0
0	0	0	0	0	0
12,000	9,688	2,312	0	0	0
0	0	0	0	0	0
0	0	0	120,608	120,608	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	6,499,753	6,495,576	4,177
175,000	175,000	0	0	0	0
306,573	306,572	1	0	0	0
<u>493,573</u>	<u>491,260</u>	<u>2,313</u>	<u>6,676,845</u>	<u>6,664,668</u>	<u>12,177</u>
<u>11,431</u>	<u>18,687</u>	<u>7,256</u>	<u>(6,077,708)</u>	<u>(6,087,442)</u>	<u>(9,734)</u>
0	0	0	30,508	30,508	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	83,657	104,887	21,230
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	(142,165)	(142,165)
<u>0</u>	<u>0</u>	<u>0</u>	<u>114,165</u>	<u>(6,770)</u>	<u>(120,935)</u>
11,431	18,687	7,256	(5,963,543)	(6,094,212)	(130,669)
117,630	117,630	0	67,644	67,644	0
0	0	0	6,062,463	6,062,463	0
<u>\$129,061</u>	<u>\$136,317</u>	<u>\$7,256</u>	<u>\$166,564</u>	<u>\$35,895</u>	<u>(\$130,669)</u>

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN RETAINED EARNINGS - ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	Enterprise
Operating Revenues:	
Sales	\$171,446
Other Revenues	686
Total Operating Revenues	172,132
Operating Expenses:	
Salaries	76,510
Fringe Benefits	37,101
Purchased Services	8,893
Materials and Supplies	9,740
Cost of Sales	100,214
Depreciation	4,588
Other	390
Total Operating Expenses	237,436
Operating Loss	(65,304)
Non-Operating Revenues/(Expenses)	
Federal Donated Commodities	17,749
Interest	1,612
Federal and State Subsidies	31,763
Other (Contributions and Donations)	8,450
Loss on Disposal of Fixed Assets	(375)
Total Non-Operating Revenue/(Expenses)	59,199
Net Loss	(6,105)
Retained Earnings at Beginning of Year	51,069
Retained Earnings at End of Year	44,964
Contributed Capital at Beginning of Year	0
Contributions from Other Funds	101,348
Contributed Capital at End of Year	101,348
Total Fund Equity at End of Year	\$146,312

See Accompanying Notes to the General Purpose Financial Statements.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	Enterprise
Increase (Decrease) in Cash and Cash Equivalents:	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$171,446
Cash Received from Other Operating Sources	660
Cash Payments to Suppliers for Goods and Services	(92,425)
Cash Payments to Employees for Services	(80,077)
Cash Payments for Employee Benefits	(35,908)
Cash Payments for Other Expenses	(390)
	(36,694)
Net Cash Used for Operating Activities	(36,694)
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	31,657
<u>Cash Flows for Capital Financing Activities</u>	
Acquisition for Fixed Assets	(25,754)
<u>Cash Flows from Investing Activities</u>	
Investment Earnings	1,737
	(29,054)
Net Decrease in Cash and Cash Equivalents	(29,054)
Cash and Cash Equivalents at Beginning of Year	48,626
	\$19,572
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	(\$65,304)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	4,588
Donated Commodities Used During Year	17,749
Other (Donations and Contributions)	8,450
Decrease (Increase) in Assets	
Increase in Accounts Receivable	(26)
Decrease in Inventory Held for Resale	107
Increase in Prepaid Items	(22)
Decrease in Materials and Supplies Inventory	32
Increase (Decrease) in Liabilities	
Increase in Accounts Payable	106
Increase in Accrued Wages and Benefits	86
Decrease in Compensated Absences Payable	(3,735)
Increase in Intergovernmental Payable	1,275
	28,610
Total Adjustments	28,610
Net Cash Used For Operating Activities	(\$36,694)

Noncash financing activities:

Contributed capital in the amount of \$101,348 was provided by the Building Fund, to provide equipment for a new kitchen facility.

See Accompanying Notes to the General Purpose Financial Statements.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCE - BUDGET (NON GAAP BASIS) AND ACTUAL
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	Enterprise Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues:			
Sales	\$168,462	\$171,446	\$2,984
Federal and State Subsidies	27,500	31,657	4,157
Interest	1,500	1,809	309
Other Revenues	400	660	260
Total Revenues:	<u>197,862</u>	<u>205,572</u>	<u>7,710</u>
Operating Expenses:			
Salaries	82,518	80,077	2,441
Fringe Benefits	36,261	35,908	353
Purchased Services	11,029	10,248	781
Materials and Supplies	83,504	80,513	2,991
Other	410	390	20
Capital Outlay	30,800	30,169	631
Total Expenses:	<u>244,522</u>	<u>237,305</u>	<u>7,217</u>
Excess of Revenues Over (Under) Expenses	(46,660)	(31,733)	14,927
Fund Equity at Beginning of Year	48,099	48,099	0
Prior Year Encumbrances Appropriated	<u>455</u>	<u>455</u>	<u>0</u>
Fund Equity at End of Year	<u><u>\$1,894</u></u>	<u><u>\$16,821</u></u>	<u><u>\$14,927</u></u>

See Accompanying Notes to the General Purpose Financial Statements.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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 2 instructional/support facilities staffed by 27 non-certificated employees, 54 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 529th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It currently operates 1 elementary and junior high school and 1 high school, 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 Cooperative, the Shelby County Schools Consortium, and the Ohio School Boards Association 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, 2000
(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, 2000
(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 Fund

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.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Account Groups (Continued)

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.

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 enterprise funds are accounted for on 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. The enterprise fund operating statements 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. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, tuition, and grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000 and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been 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 the governmental funds.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

The accrual basis of accounting is utilized for reporting purposes by the enterprise funds. Revenues are recognized in the accounting period in which they are earned, and 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 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.

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 2000.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 2000, investments were limited to non-negotiable certificates of deposit, open-end mutual funds, treasury notes, and treasury bills.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2000 amounted to \$63,311, which includes \$13,976 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, 2000 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 - O for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and became measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Program

Non-Reimbursable Grants

Special Revenue Funds

- Professional Development
- Education Management Information Systems
- OhioReads Grants
- Eisenhower Grant
- Title I
- Title VI-B
- Title VI
- Pre-School Grant
- Continuous Improvement Grant
- Other Federal Grants [*Raising the Bar in Middle Schools*]

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Projects Funds

Ohio School Facilities Disability Access Grant
Tech Equity Grant
SchoolNet and SchoolNet Plus Grant
Video Distance Learning Grant
Emergency Building Repairs Grant

Reimbursable Grants

General Fund

Drivers Education

Proprietary Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately 50 percent of the School District's operating revenue during the 2000 fiscal year.

J. 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.

K. 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.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. 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.

M. 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.

N. Fund Balance Reserves and Designations

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, budget stabilization, textbooks and instructional materials and bus purchase.

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 School District designates a portion of fund equity to indicate tentative planned expenditures of financial resources. A fund balance designation has been established for the revenues set-aside for the capital improvement reserve that exceeded the statutorily required amounts.

O. 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, 2000, the reserve activity was as follows:

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Cash Balance as of June 30, 1999	\$0	\$0	\$54,430	\$54,430
Current Year Requirements	103,913	103,913	14,845	222,671
Current Year Offsets	0	(366,548)	0	(366,548)
Qualifying Disbursements	<u>(76,350)</u>	<u>(59,265)</u>	<u>0</u>	<u>(135,615)</u>
Total	<u>\$27,563</u>	<u>(\$321,900)</u>	<u>\$69,275</u>	<u>(\$225,062)</u>
Cash Balance Carried Forward to FY 2001	<u>\$27,563</u>	<u>\$0</u>	<u>\$69,275</u>	<u>\$96,838</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 \$96,838.

P. 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. ACCOUNTABILITY

At June 30, 2000, the EMIS special revenue funds had deficit fund balance of \$370, and the SchoolNet Plus and the ADA (Disabilities Access) Grant capital projects funds had a deficit fund balances of \$19,459 and \$9,767, respectively. 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.

4. 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).

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

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	\$54,288	\$29,365	\$19,812	(\$5,024,171)
<u>Increase (Decrease) Due To:</u>				
Accrued FY 1999, Received in Cash FY 2000	226,710	2,303	23,600	63,733
Accrued FY 2000, Not Yet Received in Cash	(263,524)	(2,249)	(24,725)	(1,431)
Expenditure Accruals:				
Accrued FY 1999, Paid in Cash FY 2000	(526,137)	(8,687)	0	(204,242)
Accrued FY 2000, Not Yet Paid in Cash	517,170	2,757	0	496,966
Net Unrecorded Cash	569	21	0	56,576
Increase in Fair Value of Investment	0	0	0	(6,383)
Prepaid Items	6,416	(600)	0	0
Advanced In (Out)	37,278	0	0	(37,278)
Non-budgeted Cash	0	(1,642)	0	0
Encumbrances Outstanding at Year End (Budget Basis)	(132,196)	(8,468)	0	(1,437,982)
Budget Basis	(\$79,426)	\$12,800	\$18,687	(\$6,094,212)

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Loss/Excess of Revenues Under Expenses

	Food Service
GAAP Basis	(\$6,105)
<u>Increase (Decrease) Due To:</u>	
Prepaid Items	(22)
Revenue Accruals	(7)
Expense Accruals	(2,266)
Unrecorded Cash at Fiscal Year End	72
Inventory of Materials and Supplies	32
Inventory Held for Resale	107
Acquisition of Fixed Assets	(25,754)
Depreciation Expense	4,588
Loss on Sale of Fixed Assets	375
Encumbrances Outstanding at Year End (Budget Basis)	(2,753)
Budget Basis	(\$31,733)

5. 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.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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);
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 \$860 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 \$6,582 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.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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 \$1,359,273 and the bank balance was \$1,417,567. Of the bank balance:

1. \$379,959 was covered by federal depository insurance; and
2. \$1,037,608 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 are unclassified since they are not evidenced by securities that exist in physical or book entry form.

	Risk Category 2	Fair Value
U.S. Treasury Notes	\$60,009	\$60,009
U.S. Treasury Bills	942,977	942,977
Mutual Fund		79,028
Total	\$1,002,986	\$1,082,014

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:

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$1,445,743	\$1,002,986
Cash on Hand	(860)	
Cash Held by E.S.C.	(6,582)	
Mutual Fund	(79,028)	79,028
GASB Statement 3	\$1,359,273	\$1,082,014

6. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. All property is required to be revalued every six years. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Public utility property taxes, attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current fiscal year. Tangible personal property assessments are 25 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, 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 advance to the School District its portion of the taxes collected (Darke County collections are too small to make advances practical). Second-half real property tax payments collected by the Counties by June 30, 2000, are available to finance fiscal year 2000 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 became measurable as of June 30, 2000. 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, 2000, was \$58,583 in the General Fund and \$24,725 in the Bond Retirement debt service fund. The amount available as an advance at June 30, 1999, was \$59,759 in the General Fund, and \$23,599 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, 2000
(Continued)**

6. PROPERTY TAXES (Continued)

The assessed values upon which the fiscal year 2000 taxes were collected are:

	1999 Second- Half Collections		2000 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$44,425,870	88.23%	\$52,286,730	89.49%
Public Utility	2,681,380	5.33%	2,681,380	4.59%
Tangible Personal Property	3,244,976	6.44%	3,462,507	5.92%
Total Assessed Value	<u>\$50,352,226</u>	<u>100.00%</u>	<u>\$58,430,617</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$45.90		\$46.40	

7. 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.

8. RECEIVABLES

Receivables at June 30, 2000 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:	
Drivers Education Tuition from other school	\$1,950
Virtual High School Costs	114
General Fund Total	<u>2,064</u>
Lunch Room Fund	
Federal Milk Subsidy	106
Total Intergovernmental Receivable	<u><u>\$2,170</u></u>

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

9. INTERFUND ACTIVITY

As of June 30, 2000, receivables and payables that resulted from various interfund transactions were as follows:

Fund Type/Fund	Interfund	
	Receivable	Payable
General Fund	\$103,117	\$0
Special Revenue Funds		
Public School Support Fund	500	0
Rotary (Field Trip) Fund	0	500
Capital Projects Funds:		
ADA Grant Fund	0	83,657
SchoolNet Plus Fund	0	19,460
Total All Funds	<u>\$103,617</u>	<u>\$103,617</u>

10. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2000 follows:

Furniture and Equipment	\$200,020
Vehicles	2,000
Less Accumulated Depreciation	(49,617)
Net Fixed Assets	<u>\$152,403</u>

A summary of the changes in general fixed assets during fiscal year 2000 follows:

Asset Category	Balance at June 30, 1999	Additions	Reductions	Balance at June 30, 2000
Land and Improvements	\$311,252	\$0	\$0	\$311,252
Buildings and Improvements	3,735,988	0	(21,121)	3,714,867
Furniture, Fixtures and Equipment	1,442,923	116,223	(51,410)	1,507,736
Leased Furniture, Fixtures and Equipment	107,999	0	0	107,999
Vehicles	490,456	9,000	(41,267)	458,189
Construction in Progress	453,391	5,199,822	0	5,653,213
Totals	<u>\$6,542,009</u>	<u>\$5,325,045</u>	<u>(\$113,798)</u>	<u>\$11,753,256</u>

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

11. 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 2000, the School District contracted with Utica National Insurance for property and fleet insurance and with Nationwide Insurance for liability insurance.

Coverages provided by Indiana Insurance are as follows:

Building and Contents - Replacement cost (\$1,000 deductible - 90% co-insurance)	\$13,300,000
Inland Marine Coverage (\$250 deductible)	1,038,500
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 2000, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (the Plan), an insurance purchasing pool (Note 18). 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, 2000
(Continued)**

12. 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; 6 percent was the portion used to fund pension obligations for fiscal year 2000. 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, 2000, 1999, and 1998, were \$142,212, \$129,336, and \$212,885, respectively; 83 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. The unpaid contribution for fiscal year 2000, in the amount of \$56,868, 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, 45 North Fourth Street, Columbus, Ohio 43215-3634.

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; 5.5 percent was the portion used to fund pension obligations for fiscal year 2000. For fiscal year 1999, 7.7 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, 2000, 1999, and 1998, were \$30,051, \$39,990, and \$40,184, respectively; 44 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. The unpaid contribution for fiscal year 2000, in the amount of \$43,068, 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 School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, three members of the Board of Education 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, 2000
(Continued)**

13. 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 2000, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$189,616 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,783 million at June 30, 1999 (the latest information available). For the fiscal year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000, and STRS had 95,796 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, 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, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase from 6.3 percent for fiscal year 1999. 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 2000, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$57,716 for fiscal year 2000.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999, were \$126,380,984, and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188 million. SERS has approximately 51,000 participants currently receiving health care benefits.

14. 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
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

14. 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.

15. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2000 were as follows:

	Interest Rate	Principal Outstanding 6/30/99	Additions	Deductions	Principal Outstanding 6/30/00
<u>General Long-Term Obligations:</u>					
General Obligation Bonds					
1982 School Facilities Issue	11%	\$280,000	\$0	\$70,000	\$210,000
1998 School Facilities Issue					
Serial and Term Bonds	3.7 - 5.00%	5,940,000	0	105,000	5,835,000
Capital Appreciation Bonds	16.25 - 19%	128,595	23,666	0	152,261
Total General Obligation Bonds		6,348,595	23,666	175,000	6,197,261
Capital Lease Payable		47,514		37,707	9,807
Compensated Absences		318,855	11,318		330,173
Intergovernmental Payables		32,198	32,329	32,198	32,329
Total Long-Term Obligations		<u>\$6,747,162</u>	<u>\$67,313</u>	<u>\$244,905</u>	<u>\$6,569,570</u>

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
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

15. LONG-TERM OBLIGATIONS (Continued)

1998 School Facilities Issue

On July 28, 1999, 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, 2000
(Continued)**

15. 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 2000, \$23,666 was accreted for a total bond value of \$152,261.

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 (\$759,874) with an unnoted debt margin of \$58,431 at June 30, 2000. 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, 2000 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2001	\$504,200
2002	495,870
2003	487,195
2004	412,015
2005 - 2009	2,071,659
2010 - 2014	2,069,500
2015 - 2027	5,334,184
Total	<u>\$11,374,623</u>

16. CAPITALIZED LEASES - LESSEE DISCLOSURE

On September 4, 1997, the Board of Education entered into a lease agreement with Fleet Leasing (formerly Santa 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, 2000. The lease agreement is accounted for on a GAAP basis as a support service expenditure with an offsetting amount reported as an other financing source. The obligation will be paid from the general fund.

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

**FORT LORAMIE LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

16. CAPITALIZED LEASES - LESSEE DISCLOSURE (Continued)

in the general purpose financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

Fixed assets acquired by lease have been capitalized in the general fixed assets account group in the amount of \$107,999, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2000.

Fiscal Year Ending June 30,	General Long-Term Obligations
2001	9,911
Total minimum lease payments	9,911
Less: amount representing interest	(104)
Present value of minimum lease payments	\$9,807

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.

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.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

17. JOINTLY GOVERNED ORGANIZATIONS (Continued)

Southwestern Ohio Educational Purchasing Cooperative (SOEPC) - The Southwestern Ohio Educational Purchasing Cooperative (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 Cooperative, 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

18. 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.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

18. INSURANCE PURCHASING POOL (Continued)

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.

19. SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's Legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "School Foundation Program", which provides significant monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$2,482,556 of school foundation support for its General Fund.

In addition, the Court declared the classroom facilities program unconstitutional, because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided money to build schools and furnish classrooms. As of June 30, 2000, the School District had received a total of \$306,349 under this program.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Supreme Court rendered an opinion on this issue. The Supreme Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled". The Supreme Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision; however, it found seven "...major areas warrant further attention, study, and development by the Ohio General Assembly...", including the State's reliance on local property tax funding; the State's basic aid formula; the school foundation program, as discussed above; the mechanism for, and adequacy of, funding for school facilities; and the existence of the State's School Solvency Assistance Fund, which the Supreme Court found took the place of the unconstitutional emergency school loan assistance program.

The Supreme Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under these programs and on its financial operations.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

20. CONTRACTUAL OBLIGATIONS

As of June 30, 2000, the School District had the following contractual obligations:

Company	Project	Amount Remaining on Contract
Area Energy and Electric, Inc.	Electrical Contract - HS Addition	\$72,996
Area Energy and Electric, Inc.	Electrical Contract - ADA Renovations	14,178
Bushong Restaurant Equipment	Food Service Equipment -HS Addition	37,333
CTL Engineering	Site compaction, observation services	4,589
Farnham Equipment Company	Bleachers, Casework for HS Addition	265,493
Ferguson Construction Company	General Contract - HS Addition	545,815
Freytag & Associates, Inc.	Architectural Service - HS Addition	85,494
Freytag & Associates, Inc.	Architectural Service - ADA Renovations	6,234
Global Fire Protection Service	Fire Safety Equipment - HS Addition	12,353
GM Mechanical, Inc.	Plumbing Contract - HS Addition	38,769
Largers, Inc.	General Contract - ADA Renovations	27,500
Peck, Shaffer & Williams, LLP	Construction Contract Legal Services	996
Regal Plumbing & Heating Inc.	Plumbing Contract - ADA Renovations	8,584
Slagle Mechanical Contractors	HVAC Contract - HS Addition	176,769
Sports Facilities Unlimited	Wood Gym Floor Contract - HS Addition	38,155
Wells Brothers	Ventilation of Shop Room	\$52,900
Total		<u>\$1,388,158</u>

21. 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, 2000.

B. Litigation

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

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**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999**

	<u>Governmental Fund Types</u>			
	<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	\$533,548	\$96,760	\$117,631	\$1,033,518
Investments	0	0	0	5,155,879
Cash and Cash Equivalents				
In Segregated Accounts	0	4,941	0	0
Receivables:				
Property Taxes	1,133,961	0	428,696	0
Income Taxes	157,204	0	0	0
Accounts	566	1,198	0	0
Intergovernmental	1,949	1,104	0	0
Accrued Interest	7,232	0	0	63,733
Interfund Receivable	140,395	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	20,538	1,328	0	0
Prepaid Items	26,605	10,400	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	54,430	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Obligation Debt	0	0	0	0
Amount to be provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	<u>\$2,076,428</u>	<u>\$115,731</u>	<u>\$546,327</u>	<u>\$6,253,130</u>
Liabilities, Fund Equity and Other Credits				
Liabilities:				
Accounts Payable	\$15,302	\$8,110	\$0	\$2,721
Contracts Payable	0	0	0	191,451
Accrued Wages and Benefits	346,343	577	0	0
Compensated Absences Payable	10,780	0	0	0
Retainage Payable	0	0	0	10,070
Interfund Payable	0	0	0	140,395
Intergovernmental Payable	153,712	0	0	0
Deferred Revenue	1,074,202	0	405,097	0
Undistributed Assets	0	0	0	0
Due to Students	0	0	0	0
Capital Lease Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities:	<u>1,600,339</u>	<u>8,687</u>	<u>405,097</u>	<u>344,637</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balances:				
Reserved:				
Reserved for Encumbrances	22,589	14,976	0	5,858,221
Reserved for Inventory	20,538	1,328	0	0
Reserved for Property Taxes	59,759	0	23,599	0
Reserved for Budget Stabilization	54,430	0	0	0
Designation for Capital Improvements	1,173	0	0	0
Unreserved	317,600	90,740	117,631	50,272
Total Fund Equity and Other Credits	<u>476,089</u>	<u>107,044</u>	<u>141,230</u>	<u>5,908,493</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$2,076,428</u>	<u>\$115,731</u>	<u>\$546,327</u>	<u>\$6,253,130</u>

See Accompanying Notes to the General Purpose Financial Statements.

Propreitary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$48,626	\$42,524	\$0	\$0	\$1,872,607
0	0	0	0	5,155,879
0	0	0	0	4,941
0	0	0	0	1,562,657
0	0	0	0	157,204
0	0	0	0	1,764
0	0	0	0	3,053
255	0	0	0	71,220
0	0	0	0	140,395
3,914	0	0	0	3,914
726	0	0	0	22,592
401	0	0	0	37,406
0	0	0	0	54,430
30,265	0	6,542,010	0	6,572,275
0	0	0	141,230	141,230
0	0	0	6,605,932	6,605,932
<u>\$84,187</u>	<u>\$42,524</u>	<u>\$6,542,010</u>	<u>\$6,747,162</u>	<u>\$22,407,499</u>
\$0	\$0	\$0	\$0	\$26,133
0	0	0	0	191,451
12,007	0	0	0	358,927
9,143	0	0	318,855	338,778
0	0	0	0	10,070
0	0	0	0	140,395
8,242	0	0	32,198	194,152
3,726	0	0	0	1,483,025
0	284	0	0	284
0	42,240	0	0	42,240
0	0	0	47,514	47,514
0	0	0	6,348,595	6,348,595
<u>33,118</u>	<u>42,524</u>	<u>0</u>	<u>6,747,162</u>	<u>9,181,564</u>
0	0	6,542,010	0	6,542,010
51,069	0	0	0	51,069
0	0	0	0	5,895,786
0	0	0	0	21,866
0	0	0	0	83,358
0	0	0	0	54,430
0	0	0	0	1,173
0	0	0	0	576,243
<u>51,069</u>	<u>0</u>	<u>6,542,010</u>	<u>0</u>	<u>13,225,935</u>
<u>\$84,187</u>	<u>\$42,524</u>	<u>\$6,542,010</u>	<u>\$6,747,162</u>	<u>\$22,407,499</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, 1999**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Revenues:					
Property Taxes	\$1,154,982	\$0	\$289,815	\$0	\$1,444,797
Income Taxes	490,848	0	0	0	490,848
Intergovernmental	2,426,922	242,199	31,378	468,165	3,168,664
Interest	54,972	213	0	301,123	356,308
Net Increase in Fair Value of Investments	0	0	0	747	747
Tuition and Fees	90,031	2,872	0	0	92,903
Rent	2,867	0	0	0	2,867
Extracurricular Activities	0	115,203	0	0	115,203
Gifts and Donations	1,901	26,234	0	452	28,587
Customer Services	10,087	4,620	0	0	14,707
Miscellaneous	5,330	10,219	160,697	0	176,246
Total Revenues	4,237,940	401,560	481,890	770,487	5,891,877
Expenditures:					
Current:					
Instruction:					
Regular	2,195,109	78,984	0	9,800	2,283,893
Special	282,122	30,459	0	0	312,581
Vocational	43,617	0	0	0	43,617
Adult/Continuing	1,607	0	0	0	1,607
Other	1,390	0	0	0	1,390
Support services:					
Pupils	265,095	93,703	0	0	358,798
Instructional Staff	183,388	140,506	0	139,042	462,936
Board of Education	10,034	0	0	0	10,034
Administration	369,794	0	0	0	369,794
Fiscal	125,041	24	6,207	0	131,272
Business	554	0	0	0	554
Operation and Maintenance of Plant	317,360	365	0	281,841	599,566
Pupil Transportation	204,382	0	0	0	204,382
Central	48,087	5,784	0	0	53,871
Non-Instructional Services	0	250	0	0	250
Extracurricular activities	128,032	78,828	0	0	206,860
Capital Outlay	13,958	0	0	486,182	500,140
Debt Service:					
Principal Retirement	35,385	0	70,000	0	105,385
Interest and Fiscal Charges	4,261	0	392,730	0	396,991
Total Expenditures	4,229,216	428,903	468,937	916,865	6,043,921
Excess of Revenues Over (Under) Expenditures	8,724	(27,343)	12,953	(146,378)	(152,044)
Other Financing Sources (Uses):					
Operating Transfers In	0	4,124	0	0	4,124
Proceeds from Sale of Bonds	0	0	0	6,049,946	6,049,946
Proceeds from Sale of Fixed Assets	410	136	0	0	546
Operating Transfers Out	(4,124)	0	0	0	(4,124)
Total Other Financing Sources (Uses)	(3,714)	4,260	0	6,049,946	6,050,492
Excess of Revenues and Other					
Financing Sources Over (Under) Expenditures and Other Financing Uses	5,010	(23,083)	12,953	5,903,568	5,898,448
Fund Balances at Beginning of Year	475,953	128,965	128,277	4,925	738,120
Increase (Decrease) in Reserve for Inventory	(4,874)	1,162	0	0	(3,712)
Fund Balances End of Year	\$476,089	\$107,044	\$141,230	\$5,908,493	\$6,632,856

See Accompanying Notes to the General Purpose Financial Statements.

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**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (NON GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$1,118,390	\$1,139,490	\$21,100	\$0	\$0	\$0
Income Taxes	484,000	479,107	(4,893)	0	0	0
Intergovernmental	2,383,184	2,431,744	48,560	207,762	207,763	1
Interest	55,000	55,288	288	230	215	(15)
Tuition and Fees	66,282	89,412	23,130	2,720	3,087	367
Rent	2,900	2,867	(33)	0	0	0
Extracurricular Activities	0	0	0	108,613	114,458	5,845
Gifts and Donations	0	1,901	1,901	23,974	26,234	2,260
Customer Services	0	10,087	10,087	4,630	4,620	(10)
Miscellaneous	2,000	2,837	837	6,073	6,854	781
Total Revenues	4,111,756	4,212,733	100,977	354,002	363,231	9,229
Expenditures:						
Current:						
Instruction:						
Regular	2,224,475	2,188,802	35,673	86,270	80,941	5,329
Special	303,672	282,253	21,419	3,971	3,971	0
Vocational	44,471	43,039	1,432	0	0	0
Adult	1,844	1,817	27	0	0	0
Other	7,643	4,717	2,926	0	0	0
Support services:						
Pupils	270,370	259,562	10,808	89,374	87,016	2,358
Instructional Staff	202,879	178,800	24,079	165,551	151,098	14,453
Board of Education	14,077	10,130	3,947	0	0	0
Administration	385,685	379,855	5,830	0	0	0
Fiscal	131,324	126,641	4,683	0	0	0
Business	1,124	554	570	0	0	0
Operation and Maintenance of Plant	348,626	325,468	23,158	615	365	250
Pupil Transportation	248,102	223,600	24,502	0	0	0
Central	50,188	48,035	2,153	6,377	5,705	672
Non-Instructional Services	0	0	0	550	500	50
Extracurricular activities	130,648	128,245	2,403	85,127	83,098	2,029
Capital Outlay	31,816	13,958	17,858	1,818	0	1,818
Debt Service:						
Principal Retirement	35,400	35,385	15	0	0	0
Interest and Fiscal Charges	4,262	4,261	1	0	0	0
Total Expenditures	4,436,606	4,255,122	181,484	439,653	412,694	26,959
Excess of Revenues Over (Under) Expenditures	(324,850)	(42,389)	282,461	(85,651)	(49,463)	36,188
Other Financing Sources and Uses:						
Operating Transfers In	0	0	0	4,124	4,124	0
Proceeds from Sale of Bonds	0	0	0	0	0	0
Proceeds from Sale of Fixed Assets	0	410	410	0	136	136
Refund of Prior Year Expenditures	0	1,690	1,690	0	2,209	2,209
Advances In	0	0	0	0	0	0
Other Financing Sources	0	107	107	0	0	0
Operating Transfers Out	(7,875)	(4,124)	3,751	0	0	0
Refund of Prior Year Receipts	(400)	(391)	9	(26)	(26)	0
Advances Out	(140,935)	(140,395)	540	0	0	0
Total Other Financing Sources (Uses)	(149,210)	(142,703)	6,507	4,098	6,443	2,345
Excess of Revenues and Other Financing Sources Over (Under) Expend and Other Financing Uses	(474,060)	(185,092)	288,968	(81,553)	(43,020)	38,533
Fund Balances at Beginning of Year	532,878	532,878	0	95,175	95,175	0
Prior Year Encumbrances Appropriated	120,835	120,835	0	21,530	21,530	0
Fund Balances at End of Year	\$179,653	\$468,621	\$288,968	\$35,152	\$73,685	\$38,533

See Accompanying Notes to the General Purpose Financial Statements.

Debt Service Fund			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$220,100	\$269,889	\$49,789	\$0	\$0	\$0
0	0	0	0	0	0
29,750	31,378	1,628	457,775	468,165	10,390
0	0	0	179,035	178,847	(188)
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	452	452
0	0	0	0	0	0
0	0	0	0	0	0
<u>249,850</u>	<u>301,267</u>	<u>51,417</u>	<u>636,810</u>	<u>647,464</u>	<u>10,654</u>
0	0	0	9,800	9,800	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	144,419	142,174	2,245
0	0	0	0	0	0
0	0	0	0	0	0
11,642	6,207	5,435	0	0	0
0	0	0	0	0	0
0	0	0	394,452	394,452	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	6,281,092	6,228,660	52,432
70,000	70,000	0	0	0	0
<u>392,730</u>	<u>392,730</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>474,372</u>	<u>468,937</u>	<u>5,435</u>	<u>6,829,763</u>	<u>6,775,086</u>	<u>54,677</u>
<u>(224,522)</u>	<u>(167,670)</u>	<u>56,852</u>	<u>(6,192,953)</u>	<u>(6,127,622)</u>	<u>65,331</u>
0	0	0	0	0	0
0	0	0	6,050,000	6,049,946	(54)
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	140,935	140,395	(540)
135,463	160,697	25,234	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>135,463</u>	<u>160,697</u>	<u>25,234</u>	<u>6,190,935</u>	<u>6,190,341</u>	<u>(594)</u>
(89,059)	(6,973)	82,086	(2,018)	62,719	64,737
124,604	124,604	0	3,858	3,858	0
0	0	0	1,067	1,067	0
<u>\$35,545</u>	<u>\$117,631</u>	<u>\$82,086</u>	<u>\$2,907</u>	<u>\$67,644</u>	<u>\$64,737</u>

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN RETAINED EARNINGS - ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Enterprise
Operating Revenues:	
Sales	\$166,341
Other Revenues	594
	166,935
Total Operating Revenues	166,935
Operating Expenses:	
Salaries	79,837
Fringe Benefits	34,622
Purchased Services	8,325
Materials and Supplies	4,965
Cost of Sales	98,030
Depreciation	4,060
Other	390
	230,229
Total Operating Expenses	230,229
Operating Loss	(63,294)
Non-Operating Revenues/(Expenses)	
Federal Donated Commodities	21,101
Interest	2,142
Federal and State Subsidies	28,566
Other (Contributions and Donations)	6,176
Loss on Disposal of Fixed Assets	(315)
	57,670
Total Non-Operating Revenue/(Expenses)	57,670
Net Loss	(5,624)
Retained Earnings at Beginning of Year	56,693
	51,069
Retained Earnings at End of Year	\$51,069

See Accompanying Notes to the General Purpose Financial Statements.

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

**STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

<i>Increase (Decrease) in Cash and Cash Equivalents:</i>	<u>Enterprise</u>
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$166,363
Cash Received from Other Operating Sources	594
Cash Payments to Suppliers for Goods and Services	(83,782)
Cash Payments to Employees for Services	(77,856)
Cash Payments for Employee Benefits	(34,149)
Cash Payments for Other Expenses	<u>(390)</u>
Net Cash Used for Operating Activities	(29,220)
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	28,566
<u>Cash Flows for Capital Financing Activities</u>	
Acquisition for Fixed Assets	(5,928)
<u>Cash Flows from Investing Activities</u>	
Investment Earnings	<u>1,887</u>
Net Decrease in Cash and Cash Equivalents	(4,695)
Cash and Cash Equivalents at Beginning of Year	<u>53,321</u>
Cash and Cash Equivalents at End of Year	<u><u>\$48,626</u></u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	(\$63,294)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	4,060
Donated Commodities Used During Year	21,101
Other (Donations and Contributions)	6,176
Decrease (Increase) in Assets	
Decrease in Accounts Receivable	22
Decrease in Inventory Held for Resale	90
Decrease in Prepaid Items	138
Decrease in Materials and Supplies Inventory	48
Increase (Decrease) in Liabilities	
Decrease in Accounts Payable	(15)
Increase in Accrued Wages and Benefits	2,812
Increase in Compensated Absences Payable	1,580
Decrease in Intergovernmental Payable	<u>(1,938)</u>
Total Adjustments	<u>34,074</u>
Net Cash Used For Operating Activities	<u><u>(\$29,220)</u></u>

See Accompanying Notes to the General Purpose Financial Statements.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCE - BUDGET (NON GAAP BASIS) AND ACTUAL
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Enterprise Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues:			
Sales	\$163,500	\$166,363	\$2,863
Federal and State Subsidies	30,750	28,566	(2,184)
Interest	0	1,815	1,815
Other Revenues	200	594	394
	<u>194,450</u>	<u>197,338</u>	<u>2,888</u>
Operating Expenses:			
Salaries	79,367	77,856	1,511
Fringe Benefits	34,228	34,149	79
Purchased Services	9,775	8,160	1,615
Materials and Supplies	84,220	75,699	8,521
Other	410	390	20
Capital Outlay	6,310	6,306	4
	<u>214,310</u>	<u>202,560</u>	<u>11,750</u>
Excess of Revenues Over (Under) Expenses	(19,860)	(5,222)	14,638
Fund Equity at Beginning of Year	52,512	52,512	0
Prior Year Encumbrances Appropriated	<u>809</u>	<u>809</u>	<u>0</u>
Fund Equity at End of Year	<u>\$33,461</u>	<u>\$48,099</u>	<u>\$14,638</u>

See Accompanying Notes to the General Purpose Financial Statements.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

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 2 instructional/support facilities staffed by 26 non-certificated employees, 51 certificated teaching personnel and 5 administrative employees to provide services to 848 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 534th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It currently operates 1 elementary and junior high school and 1 high school, 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 School 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 Cooperative, the Shelby County Schools Insurance Group, and the Ohio School Boards Association 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 YEAR ENDED JUNE 30, 1999
(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 YEAR ENDED JUNE 30, 1999
(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 Fund

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 YEAR ENDED JUNE 30, 1999
(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 enterprise funds are accounted for on 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. The enterprise fund operating statements 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. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, tuition, and grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999 and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been 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 the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the enterprise funds. Revenues are recognized in the accounting period in which they are earned, and 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.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances In and Advances Out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

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.

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 1999.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 fund, function, and object level of expenditures, which are the legal levels of budgetary control. 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.

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 1999, investments were limited to non-negotiable certificates of deposit, open-end mutual funds, treasury notes, and treasury bills.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 1999 amounted to \$54,972, which includes \$13,641 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, 1999 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 - O for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and became measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Program

Non-Reimbursable Grants

Special Revenue Funds

- Professional Development
- State Textbook Subsidy
- Education Management Information Systems
- Eisenhower Grant
- Title VI-B
- Title VI
- Pre-School Grant
- Other Federal Grants [*Raising the Bar in Middle Schools; LSTA Mini-Grant*]

Capital Projects Funds

- Tech Equity Grant (1997)
- SchoolNet Plus Grant
- Emergency Building Repair Grant

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reimbursable Grants

General Fund

Drivers Education

Proprietary Funds

National School Lunch Program

Government Donated Commodities

Grants and entitlements amounted to approximately fifty-five percent of the School District's operating revenue during the 1999 fiscal year.

J. 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.

K. 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.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. 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.

M. 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.

N. 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.

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 School District designates a portion of fund equity to indicate tentative planned expenditures of financial resources. A fund balance designation has been established for the revenues set-aside for the capital improvement reserve that exceeded the statutorily required amounts.

O. 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, 1999, the reserve activity was as follows:

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Cash Balance as of June 30, 1998	\$0	\$0	\$21,220	\$21,220
Current Year Requirements	66,418	66,418	33,210	166,046
Current Year Offsets	(12,038)	(184,436)	0	(196,474)
Qualifying Disbursements	<u>(55,700)</u>	<u>(59,827)</u>	<u>0</u>	<u>(115,527)</u>
Total	<u>(\$1,320)</u>	<u>(\$177,845)</u>	<u>\$54,430</u>	<u>(\$124,735)</u>
Cash Balance Carried Forward to FY 2000	<u>\$0</u>	<u>\$0</u>	<u>\$54,430</u>	<u>\$54,430</u>

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

P. 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. ACCOUNTABILITY

At June 30, 1999, the emergency building repair capital projects fund had a deficit fund balance of \$8,283. The deficit was caused by the requirement to report the unpaid advances as a fund liability. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

4. 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 Balances - 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).

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

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	\$5,010	(\$23,083)	\$12,953	\$5,903,568
Increase (Decrease) Due To:				
Revenue Accruals:				
Accrued FY 1998, Received in Cash FY 1999	204,255	640	3,673	0
Accrued FY 1999, Not Yet Received in Cash	(226,710)	(2,303)	(23,599)	(63,733)
Expenditure Accruals:				
Accrued FY 1998, Paid in Cash FY 1999	(439,338)	(6,313)	0	0
Accrued FY 1999, Not Yet Paid in Cash	526,137	8,687	0	204,242
Unrecorded Cash at Fiscal Year End	(569)	(21)	0	(58,543)
Increase in Fair Value of Investment	0	0	0	(747)
Prepaid Items	5,306	5,000	0	0
Advanced In (Out)	(140,395)	0	0	140,395
Non-budgeted Cash	0	(2,573)	0	0
Encumbrances Outstanding at Year End	(118,788)	(23,054)	0	(6,062,463)
Budget Basis	<u>(\$185,092)</u>	<u>(\$43,020)</u>	<u>(\$6,973)</u>	<u>\$62,719</u>

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

	Food Service
Net Loss/Excess of Revenues Over (Under) Expenses Enterprise Fund	
GAAP Basis	(\$5,624)
<u>Increase (Decrease) Due To:</u>	
Prepaid Items	138
Revenue Accruals	(233)
Expense Accruals	2,439
Unrecorded Cash at Fiscal Year End	(72)
Inventory of Materials and Supplies	48
Inventory Held for Resale	90
Acquisition of Fixed Assets	(5,928)
Depreciation Expense	4,060
Loss on Sale of Fixed Assets	315
Encumbrances Outstanding at Year End (Budget Basis)	(455)
Budget Basis	(\$5,222)

5. 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 YEAR ENDED JUNE 30, 1999
(Continued)**

5. 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 \$370 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 \$4,941 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 \$1,051,350 and the bank balance was \$1,135,334. Of the bank balance:

1. \$200,000 was covered by federal depository insurance; and

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

2. \$935,334 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 are unclassified since they are not evidenced by securities that exist in physical or book entry form.

	Risk Category	Fair Value
	2	
U.S. Treasury Notes	\$5,081,341	\$5,081,341
U.S. Treasury Bills	74,538	74,538
Mutual Fund		875,317
Total	\$5,155,879	\$6,031,196

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	\$1,931,978	\$5,155,879
Cash on Hand	(370)	
Cash Held by E.S.C.	(4,941)	
Mutual Fund	(875,317)	875,317
GASB Statement 3	\$1,051,350	\$6,031,196

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

6. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current fiscal year. Tangible personal property assessments are 25 percent of true value.

Real property taxes are payable annually or semi-annually. The first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, state statute permits earlier or later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, 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 (Darke County collections are too small to make advances practical). Second-half real property tax payments collected by the County by June 30, 1999 are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1999. 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 year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amounts available as an advance at June 30, 1999 were \$59,759 and \$23,599 and are recognized as revenue in the general fund and bond retirement (debt service) fund, respectively. The amounts available as an advance at June 30, 1998 were \$44,267 and \$3,673 and are recognized as revenue in the general fund and bond retirement (debt service) fund, respectively.

The assessed values upon which the fiscal year 1999 taxes were collected are shown on the following table.

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$43,180,740	88.61%	\$44,425,870	88.23%
Public Utility	2,665,460	5.47%	2,681,380	5.33%
Tangible Personal Property	2,884,025	5.92%	3,244,976	6.44%
Total Assessed Value	<u>\$48,730,225</u>	<u>100.00%</u>	<u>\$50,352,226</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$39.00		\$45.90	

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

6. PROPERTY TAXES (Continued)

The change in tax rate is the net result of a .3 mill reduction on a 1982 bond levy and a 7.9 mill levy for the repayment of general obligation bonds passed by the citizens of the School District on May 5, 1998.

7. INCOME TAX

The School District levies a voted tax of 3/4 percent for general operations on the income of residents and estates. The tax was effective on January 1, 1995, and will continue for five years from that date. 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.

8. RECEIVABLES

Receivables at June 30, 1999 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:	
School Foundation (FY 99)	\$141
State Drivers Education Subsidy	750
Drivers Education Tuition from other school	800
Insurance Expense on Shared Teacher	168
Transportation Costs	90
General Fund Total	1,949
Special Revenue Fund	
Telecommunications Act Grant	1,104
Total Intergovernmental Receivable	\$3,053

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

9. INTERFUND ACTIVITY

As of June 30, 1999, receivables and payables that resulted from various interfund transactions were as follows:

Fund Type/Fund	Interfund	
	Receivable	Payable
General Fund	\$140,395	\$0
Capital Projects Fund:		
Emergency Building Repairs Grant	0	140,395
Total All Funds	<u>\$140,395</u>	<u>\$140,395</u>

10. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 1999 follows:

Furniture and Equipment	\$80,454
Vehicles	2,000
Less Accumulated Depreciation	<u>(52,189)</u>
Net Fixed Assets	<u>\$30,265</u>

A summary of the changes in general fixed assets during fiscal year 1999 follows:

Asset Category	Balance at June 30, 1998	Additions	Reductions	Balance at June 30, 1999
Land and Improvements	\$311,252	\$0	\$0	\$311,252
Buildings and Improvements	3,503,796	236,639	(4,446)	3,735,989
Furniture, Fixtures and Equipment	1,221,689	255,201	(33,967)	1,442,923
Leased Furniture, Fixtures and Equipment	107,999	0	0	107,999
Vehicles	432,072	58,384	0	490,456
Construction in Progress	0	453,391	0	453,391
Totals	<u>\$5,576,808</u>	<u>\$1,003,615</u>	<u>(\$38,413)</u>	<u>\$6,542,010</u>

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

11. 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 1999, the School District contracted with Indiana Insurance for property and fleet insurance and with Nationwide Insurance for liability insurance.

Coverages provided by Indiana Insurance are as follows:

Building and Contents - Replacement cost (\$1,000 deductible)	\$8,300,000
Inland Marine Coverage (\$250 deductible)	895,200
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 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (the Plan), an insurance purchasing pool (Note 18). 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 YEAR ENDED JUNE 30, 1999
(Continued)**

12. DEFINED BENEFIT PENSION PLANS

A. 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. SERS provides retirement benefits and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was the portion 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 contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$39,990, \$40,184, and \$43,193, respectively; 42.13 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$42,078 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District participates in 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 basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit 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 for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 1999, plan members are required to contribute 9.3 percent of their annual covered salary. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. 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 contribution for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$226,338, \$212,885, and \$221,988, respectively; 83.48 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$49,852 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

12. DEFINED BENEFIT PENSION PLANS (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

13. 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 non-certified 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 obligations 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.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS 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 Ohio 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 ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$75,446 during the 1999 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,156 million at June 30, 1998. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, 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.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For this fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll; an increase from 4.98 percent for fiscal year 1998. 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 1999, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including surcharge, equaled \$43,218 during the 1999 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 125 percent of annual health care expenses. Expense for health care at June 30, 1998, was \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

14. 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.

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.

15. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	Interest Rate	Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 6/30/99
<u>General Long-Term Obligations:</u>					
General Obligation Bonds					
1982 School Facilities Issue	11%	\$350,000	\$0	\$70,000	\$280,000
1998 School Facilities Issue					
Serial and Term Bonds	3.7 - 5.00%	0	5,940,000	0	5,940,000
Capital Appreciation Bonds	16.25 - 19%	0	128,595	0	128,595
Total General Obligation Bonds		350,000	6,068,595	70,000	6,348,595
Capital Lease Payable		82,899		35,385	47,514
Compensated Absences		331,669		12,814	318,855
Intergovernmental Payables		22,746	32,198	22,746	32,198
Total Long-Term Obligations		<u>\$787,314</u>	<u>\$6,100,793</u>	<u>\$140,945</u>	<u>\$6,747,162</u>

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

15. LONG-TERM OBLIGATIONS (Continued)

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.

1998 School Facilities Issue

On July 28, 1999, 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.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

15. LONG-TERM OBLIGATIONS (Continued)

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:

Redemption Dates <u>(Dates Inclusive)</u>	Redemption <u>Prices</u>
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 1999, \$18,649 was accreted for a total bond value of \$128,595.

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 (\$1,680,614) with an unvoted debt margin of \$50,352 at June 30, 1999. 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, 1999 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2000	\$481,572
2001	504,200
2002	495,870
2003	487,195
2004	412,015
2005 - 2009	2,071,659
2010 - 2014	2,069,500
2015 - 2027	<u>5,334,184</u>
	<u>\$11,856,495</u>

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

16. 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, 2000. The lease agreement is accounted for on a GAAP basis as a support service expenditure with an offsetting amount reported as an other financing source. The obligation will be paid from the general fund.

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 have been capitalized in the general fixed assets account group in the amount of \$107,999, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 1999.

Fiscal Year Ending June 30,	General Long-Term Obligations
2000	\$39,646
2001	9,911
Total minimum lease payments	49,557
Less: amount representing interest	(2,043)
Present value of minimum lease payments	\$47,514

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.

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.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

17. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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 Cooperative (SOEPC) -The Southwestern Ohio Educational Purchasing Cooperative (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 Cooperative, 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 YEAR ENDED JUNE 30, 1999
(Continued)**

18. 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.

19. SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's Legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "School Foundation Program", which provides significant monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$2,225,325 of school foundation support for its General Fund.

In addition, the Court declared the classroom facilities program unconstitutional, because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided money to build schools and furnish classrooms. As of June 30, 1999, the School District had received a total of \$306,349 under this program.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Supreme Court rendered an opinion on this issue. The Supreme Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled". The Supreme Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision; however, it found seven "...major areas warrant further attention, study, and development by the Ohio General Assembly...", including the State's reliance on local property tax funding; the State's basic aid formula; the school foundation program, as discussed above; the mechanism for, and adequacy of, funding for school facilities; and the existence of the State's School Solvency Assistance Fund, which the Supreme Court found took the place of the unconstitutional emergency school loan assistance program.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

19. SCHOOL FUNDING DECISION (Continued)

The Supreme Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under these programs and on its financial operations.

20. CONTRACTUAL OBLIGATIONS

As of June 30, 1999, the School District had the following contractual obligations:

Company	Project	Amount Remaining on Contract
Rieck Mechanical Services	Install heating system at Elementary	\$16,973
Peck, Shaffer & Williams, LLP	Construction Contract Legal Services	8,480
Freytag & Associates, Inc.	Architectural Service - HS Addition	225,857
Ferguson Construction Company	General Contract - HS Addition	3,263,228
Farnham Equipment Company	Bleachers, Casework for HS Addition	405,200
GM Mechanical, Inc.	Plumbing Contract - HS Addition	291,922
Slagle Mechanical Contractors	HVAC Contract - HS Addition	789,980
Area Energy and Electric, Inc.	Electrical Contract - HS Addition	741,032
Bushong Restaurant Equipment	Food Service Equipment -HS Addition	163,669
Global Fire Protection Service	Fire Safety Equipment - HS Addition	103,700
Lepi Enterprises, Inc.	Asbestos removal, floor tile replacement	103,635
Gandee & Associates, Inc	Asbestos abatement architectural services	19,500
CTL Engineering	Site compaction, observation services	7,279
Total		<u>\$6,140,455</u>

21. 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, 1999.

B. Litigation

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



**STATE OF OHIO
OFFICE OF THE AUDITOR**

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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
P.O. 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, (the School District) as of and for the years ended June 30, 2000 and 1999, and have issued our report thereon dated January 19, 2001. We conducted our audit in accordance with generally accepted auditing standards 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 19, 2001.

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 January 19, 2001.

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 and the Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

January 19, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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 20, 2001**