



Mary Taylor, CPA
Auditor of State

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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SHELBY COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fort Loramie Local School District, Shelby County, (the District), as of and for the years ended June 30, 2008 and 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fort Loramie Local School District, Shelby County, as of June 30, 2008 and 2007, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2009 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mary Taylor, CPA
Auditor of State

April 14, 2009

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

The discussion and analysis of Fort Loramie Local School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2008, within the limitations of cash basis accounting. The intent of this discussion and analysis is to look at the School District's financial performance as a whole.

Using This Annual Report

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

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

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

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

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other nonmajor funds presented in total in a single column. For Fort Loramie Local School District, the General Fund and the Building and Ohio School Facilities Commission capital project funds are the most significant funds.

Reporting The School District As A Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2008, within the limitations of cash basis accounting. The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the School District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Factors which contribute to these changes may include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

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

Reporting The School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Building and the Ohio School Facilities Commission capital projects funds.

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

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

The School District As A Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2008 and fiscal year 2007:

Table 1 Governmental Activities Net Assets			
	2008	2007	Change
Assets:			
Cash and Cash Equivalents	\$16,151,666	\$8,591,096	\$7,560,570
Net Assets:			
Restricted	13,738,048	7,020,272	6,717,776
Unrestricted	2,413,618	1,570,824	842,794
Total Net Assets	\$16,151,666	\$8,591,096	\$7,560,570

The School District's building project in partnership with the Ohio School Facilities Program was the major factor in the change in the district's assets. The School District also issued \$1,615,000 in certificates of participation notes during fiscal year 2008. Current assets and restricted net assets include the unspent proceeds of debt from the prior and current fiscal years.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Table 2 reflects the change in net assets for fiscal year 2008 and fiscal year 2007.

**Table 2
Change in Net Assets**

	2008	2007	Change
Receipts:			
Program Receipts:			
Charges for Services	\$ 543,317	\$ 501,373	\$ 41,944
Operating Grants, Contributions, and Interest	555,695	710,644	(154,949)
Capital Grants and Contributions	3,385	11,591	(8,206)
Total Program Receipts	<u>1,102,397</u>	<u>1,223,608</u>	<u>(121,211)</u>
General Receipts:			
Property Taxes	2,384,933	2,334,531	50,402
Income Taxes	1,585,508	1,203,994	381,514
Grants and Entitlements	10,236,873	3,985,132	6,251,741
Interest	449,353	266,330	183,023
Notes Issued	1,615,000	5,426,371	(3,811,371)
General Obligation Bonds Issued		5,425,999	(5,425,999)
General Obligation Refunding Bonds Issued		4,909,998	(4,909,998)
Premium of Notes and Bonds Issued	8,915	116,401	(107,486)
Premium of Refunding Bonds Issued		69,827	(69,827)
Miscellaneous	69,927	22,768	47,159
Total General Receipts	<u>16,350,509</u>	<u>23,761,351</u>	<u>(7,410,842)</u>
Total Receipts	<u>17,452,906</u>	<u>24,984,959</u>	<u>(7,532,053)</u>
Disbursements:			
Instruction:			
Regular	3,412,527	3,301,553	(110,974)
Special	418,830	410,856	(7,974)
Vocational		2,829	2,829
Support Services:			
Pupils	536,330	518,313	(18,017)
Instructional Staff	344,975	343,040	(1,935)
Board of Education	27,083	28,122	1,039
Administration	593,016	570,844	(22,172)
Fiscal	196,208	194,479	(1,729)
Business	639	639	
Operation and Maintenance of Plant	558,661	548,988	(9,673)
Pupil Transportation	207,693	338,926	131,233
Central	54,197	53,022	(1,175)
Non-instructional Services	278,853	260,710	(18,143)
Extracurricular Activities	344,143	320,777	(23,366)
Capital Outlay	2,258,525	280,761	(1,977,764)
Debt Service:			
Principal Retirement	106,666	5,529,871	5,423,205
Payment to Refunded Bond Escrow Agent		5,080,045	5,080,045
Interest and Fiscal Charges	545,075	425,232	(119,843)
Issuance Costs	8,915	208,647	199,732
Total Disbursements	<u>9,892,336</u>	<u>18,417,654</u>	<u>8,525,318</u>
Increase in Net Assets	7,560,570	6,567,305	993,265
Net Assets at Beginning of Year	8,591,096	2,023,791	6,567,305
Net Assets at End of Year	<u>\$16,151,666</u>	<u>\$8,591,096</u>	<u>\$7,560,570</u>

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Total receipts decreased significantly. In fiscal year 2007, the School District had issued general obligation bonds, general obligation refunding bonds, and bond anticipation notes, in the amount \$5,425,999, \$4,909,998, and \$5,426,371, respectively, in relation to obtaining the Ohio School Facilities Commission grant for construction and renovation of school buildings. Excepting the debt proceeds, general receipts increased from the receipt of grants from the Ohio School Facilities Commission.

Interest earnings increased 69 percent in fiscal year 2008. The majority of the increase can be attributed the building project, earned on the proceeds of note and bond sales.

Except for debt transactions, the overall total disbursements increased 29 percent with the majority from the construction disbursements relating to the Ohio School Facilities Commission project.

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

**Table 3
Governmental Activities**

	Total Cost Of Services		Net Cost Of Services	
	2008	2007	2008	2007
Instruction:				
Regular	\$3,412,527	\$ 3,301,553	\$3,221,982	\$3,150,274
Special	418,830	410,856	(436)	4,810
Vocational		2,829	(34)	2,047
Support Services:				
Pupils	536,330	518,313	499,491	434,377
Instructional Staff	344,975	343,040	339,701	343,040
Board of Education	27,083	28,122	27,083	28,122
Administration	593,016	570,844	593,016	570,844
Fiscal	196,208	194,479	196,208	194,479
Business	639	639	639	639
Operation and Maintenance of Plant	558,661	548,988	537,512	523,128
Pupil Transportation	207,693	338,926	197,066	168,952
Central	54,197	53,022	49,197	48,022
Non-instructional Services	278,853	260,710	(5,977)	370
Extracurricular Activities	344,143	320,777	215,310	200,386
Capital Outlay	2,258,525	280,761	2,258,525	280,761
Debt Service:				
Principal Retirement	106,666	5,529,871	106,666	5,529,871
Payment to Refunded Bond Escrow Agent		5,080,045		5,080,045
Interest and Fiscal Charges	545,075	425,232	545,075	425,232
Issuance Costs	8,915	208,647	8,915	208,647
Total Disbursements	<u>\$9,892,336</u>	<u>\$18,417,654</u>	<u>\$8,789,939</u>	<u>\$17,194,046</u>

Disbursements in the instructional functions continued to be 84 percent funded by general receipts. Overall, the percentage funded by general receipts decreased by 4 percent, from 93 percent in fiscal year 2007 to 89 percent in fiscal year 2008. A decrease in transportation disbursements occurred during fiscal year 2008 since the School District had purchased two school buses in fiscal year 2007.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting. The School District's major governmental funds are the General Fund and the Building and Ohio School Facilities Commission capital projects funds. Income taxes increased in fiscal year 2008 largely from settlement received in July 2007, when taxpayers filed the first returns at the increase rate.

During fiscal year 2008, the School District issued \$1,615,000 in certificates of participation notes to partially fund the locally funded initiatives. The note proceeds and the general obligation bonds issued in the prior fiscal year have not been spent on the project in the Building and Ohio School Facilities Commission capital projects funds.

The grant from the Ohio School Facilities Commission and debt proceeds recorded in the Ohio School Facilities Commission capital projects fund are expected to be sufficient to fund the cost of construction of the new elementary school and renovations to the existing junior/senior high school.

General Fund Budgeting Highlights

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

For the General Fund, final budgeted receipts increased by 7 percent from the School District's original estimates. Increases were made in property taxes and income taxes based on actual receipts received over original estimates. Actual receipts were only 2 percent greater than final budgeted receipts. The final appropriations were increased 5 percent over the original appropriations and actual disbursements were 7 percent less than final appropriations.

Current Issues

The School District is in the construction phase of its building project with the Ohio School Facilities Commission. The first stage of renovations to the exiting Junior/Senior High School building was completed as scheduled over the summer and fall of 2008, with additional work to be completed over the summer of 2009. The construction of a new Pre-Kindergarten through Sixth Grade building on land currently owned by the district is proceeding on schedule and within the project budget. Significant wind damage occurred to the structure in September 2008; however the loss was covered by insurance and is not expected to delay completion in time for the opening of school in August 2009. Bidding of furniture and equipment items is planned for March 2009.

To provide additional classrooms and special use spaces in the Pre-K-to Sixth grade building, the Board of Education voted to authorize lease-purchase financing in October 2007. One year notes, in the amount of \$1,615,000, were issued in November 2007. While no revenue stream is officially dedicated for repayment of this debt, the Board intends to use the proceeds of the Permanent Improvement levy for repayment. On November 18, 2008, the district repaid \$135,000 from the principal of these notes and issued renewal notes in the amount of \$1,480,000 with an interest rate of 3.5 percent for a one year period. It is anticipated that this debt will be retired within ten to fifteen years.

Personal tangible tax collections in fiscal year 2008 were \$116,013 less than in fiscal year 2007, despite the additional millage levied for the building project. This reduction was expected and reductions in future years are anticipated under the State of Ohio's elimination of this revenue source.

Negotiations with both teaching and classified staff were completed in October 2008, resulting in three-year contracts running through fiscal year 2011. Increases of 2.7 percent on base salary and wage rates were granted for each year of the contacts.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Request For Information

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

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2008**

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$16,151,666</u></u>
Net Assets	
Restricted for:	
Debt Service	697,922
Capital Projects	12,827,448
Other Purposes	212,678
Unrestricted	<u>2,413,618</u>
Total Net Assets	<u><u>\$16,151,666</u></u>

See accompanying notes to the basic financial statements.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Program Cash Receipts</u>			<u>Net (Disbursement) Receipt and Change in Net Assets</u>	
	<u>Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Interest</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities					
Instruction:					
Regular	\$3,412,527	\$138,257	\$52,288		(\$3,221,982)
Special	418,830	7,282	411,984		436
Vocational			34		34
Support Services:					
Pupils	536,330	29,626	7,213		(499,491)
Instructional Staff	344,975	5,074	200		(339,701)
Board of Education	27,083				(27,083)
Administration	593,016				(593,016)
Fiscal	196,208				(196,208)
Business	639				(639)
Operation and Maintenance of Plant	558,661		21,149		(537,512)
Pupil Transportation	207,693	1,418	6,190	\$3,019	(197,066)
Central	54,197		5,000		(49,197)
Non-instructional Services	278,853	240,443	44,387		5,977
Extracurricular Activities	344,143	121,217	7,250	366	(215,310)
Capital Outlay	2,258,525				(2,258,525)
Debt Service:					
Principal Retirement	106,666				(106,666)
Interest and Fiscal Charges	545,075				(545,075)
Issuance Costs	8,915				(8,915)
Total Governmental Activities	<u>\$9,892,336</u>	<u>\$543,317</u>	<u>\$555,695</u>	<u>\$3,385</u>	<u>(8,789,939)</u>

General Receipts

Property Taxes Levied for:

General Purposes	1,546,140
OSFC Maintenance	35,240
Debt Service	669,643
Permanent Improvement	133,910
Income Taxes	1,585,508
Grants and Entitlements Not Restricted to Specific Programs	10,236,873
Interest	449,353
Notes Issued	1,615,000
Premium on Notes Issued	8,915
Miscellaneous	69,927
Total General Receipts	<u>16,350,509</u>
 Change in Net Assets	 7,560,570
 Net Assets at Beginning of Year	 <u>8,591,096</u>
 Net Assets at End of Year	 <u>\$16,151,666</u>

See accompanying notes to the basic financial statements.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	<u>General</u>	<u>Building</u>	<u>Ohio School Facilities Commission</u>	<u>Other Governmental</u>	<u>Total</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$2,413,618	\$2,922,767	\$9,675,418	\$1,132,206	\$16,144,009
Restricted Assets					
Equity in Pooled Cash and Cash Equivalents	7,657				7,657
Total Assets	<u>2,421,275</u>	<u>2,922,767</u>	<u>9,675,418</u>	<u>1,132,206</u>	<u>16,151,666</u>
Fund Balances					
Reserved for Bus Purchases	7,657				7,657
Reserved for Encumbrances	112,629	2,624,263	10,425,939	18,816	13,181,647
Unreserved, Reported in:					
General Fund	2,300,989				2,300,989
Special Revenue Funds				186,205	186,205
Debt Service Fund				697,922	697,922
Capital Projects Funds (Deficit)		298,504	(750,521)	229,263	(222,754)
Total Fund Balances	<u>\$2,421,275</u>	<u>\$2,922,767</u>	<u>\$9,675,418</u>	<u>\$1,132,206</u>	<u>\$16,151,666</u>

See accompanying notes to the basic financial statements.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>General</u>	<u>Building</u>	<u>Ohio School Facilities Commission</u>	<u>Other Governmental</u>	<u>Total</u>
Receipts:					
Property Taxes	\$1,546,140			\$838,793	\$2,384,933
Income Taxes	1,585,508				1,585,508
Intergovernmental	3,659,429		\$6,717,787	390,173	10,767,389
Interest	148,996	\$66,632	225,183	10,010	450,821
Tuition and Fees	142,703			1,406	144,109
Charges for Services	7,392			244,143	251,535
Extracurricular Activities				147,673	147,673
Gifts and Donations	4,054			23,042	27,096
Miscellaneous	42,559	955		26,413	69,927
Total Receipts	<u>7,136,781</u>	<u>67,587</u>	<u>6,942,970</u>	<u>1,681,653</u>	<u>15,828,991</u>
Disbursements					
Current:					
Instruction:					
Regular	3,388,615			23,912	3,412,527
Special	380,267			38,563	418,830
Support Services:					
Pupils	362,197			174,133	536,330
Instructional Staff	326,863			18,112	344,975
Board of Education	27,083				27,083
Administration	572,109			20,907	593,016
Fiscal	178,394			17,814	196,208
Business	639				639
Operation and Maintenance of Plant	547,444			11,217	558,661
Pupil Transportation	207,693				207,693
Central	42,506			11,691	54,197
Non-instructional Services				278,853	278,853
Extracurricular Activities	227,742			116,401	344,143
Capital Outlay	3,000	390	2,255,135		2,258,525
Debt Service:					
Principal Retirement				106,666	106,666
Interest and Fiscal Charges				545,075	545,075
Issuance Costs		8,915			8,915
Total Disbursements	<u>6,264,552</u>	<u>9,305</u>	<u>2,255,135</u>	<u>1,363,344</u>	<u>9,892,336</u>
Excess of Receipts Over Disbursements	<u>872,229</u>	<u>58,282</u>	<u>4,687,835</u>	<u>318,309</u>	<u>5,936,655</u>
Other Financing Sources (Uses):					
Notes Issued		1,615,000			1,615,000
Premium on Notes		8,915			8,915
Advances In	6,767				6,767
Advances Out				(6,767)	(6,767)
Transfers In	5,297	1,049,203		6,000	1,060,500
Transfers Out	(38,480)		(977,130)	(44,890)	(1,060,500)
Total Other Financing Sources (Uses)	<u>(26,416)</u>	<u>2,673,118</u>	<u>(977,130)</u>	<u>(45,657)</u>	<u>1,623,915</u>
Changes in Fund Balances	845,813	2,731,400	3,710,705	272,652	7,560,570
Fund Balances at Beginning of Year	<u>1,575,462</u>	<u>191,367</u>	<u>5,964,713</u>	<u>859,554</u>	<u>8,591,096</u>
Fund Balances at End of Year	<u>\$2,421,275</u>	<u>\$2,922,767</u>	<u>\$9,675,418</u>	<u>\$1,132,206</u>	<u>\$16,151,666</u>

See accompanying notes to the basic financial statements.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		(Under)
Receipts:				
Property Taxes	\$1,475,700	\$1,516,230	\$1,546,140	\$29,910
Income Taxes	1,220,000	1,585,493	1,585,508	15
Intergovernmental	3,553,086	3,576,623	3,659,429	82,806
Interest	156,000	146,500	148,996	2,496
Tuition and Fees	120,750	140,283	142,703	2,420
Charges for Services	1,350	1,350	7,392	6,042
Gifts and Donations			4,054	4,054
Miscellaneous	5,880	5,880	42,559	36,679
Total Receipts	<u>6,532,766</u>	<u>6,972,359</u>	<u>7,136,781</u>	<u>164,422</u>
Disbursements:				
Current:				
Instruction:				
Regular	3,394,610	3,470,480	3,331,409	139,071
Special	396,431	393,123	380,793	12,330
Vocational	184	184		184
Other	78,000	114,500	109,360	5,140
Support Services:				
Pupils	398,845	414,255	370,162	44,093
Instructional Staff	342,595	358,268	331,621	26,647
Board of Education	17,542	36,987	33,010	3,977
Administration	578,577	584,965	578,945	6,020
Fiscal	171,513	178,968	178,863	105
Business	650	1,289	1,275	14
Operation and Maintenance of Plant	561,093	628,869	569,825	59,044
Pupil Transportation	369,106	381,200	215,895	165,305
Central	44,941	45,921	42,756	3,165
Extracurricular Activities	231,902	237,045	229,242	7,803
Capital Outlay	3,000	7,025	4,025	3,000
Debt Service				
Interest and Fiscal Charges		59,000		59,000
Total Disbursements	<u>6,588,989</u>	<u>6,912,079</u>	<u>6,377,181</u>	<u>534,898</u>
Excess of Receipts Over (Under) Disbursements	<u>(56,223)</u>	<u>60,280</u>	<u>759,600</u>	<u>699,320</u>
Other Financing Sources (Uses):				
Advances In			6,767	6,767
Transfers In			5,297	5,297
Transfers Out	<u>(35,000)</u>	<u>(58,592)</u>	<u>(38,480)</u>	<u>20,112</u>
Total Other Financing Sources (Uses)	<u>(35,000)</u>	<u>(58,592)</u>	<u>(26,416)</u>	<u>32,176</u>
Changes in Fund Balance	(91,223)	1,688	733,184	731,496
Fund Balance at Beginning of Year	1,378,468	1,378,468	1,378,468	
Prior Year Encumbrances Appropriated	<u>196,994</u>	<u>196,994</u>	<u>196,994</u>	
Fund Balance at End of Year	<u>\$1,484,239</u>	<u>\$1,577,150</u>	<u>\$2,308,646</u>	<u>\$731,496</u>

See accompanying notes to the basic financial statements.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CASH BASIS FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008**

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$44,619</u>
Net Assets	
Held for Students	44,052
Held for Staff	<u>567</u>
Total Net Assets	<u>\$44,619</u>

See accompanying notes to the basic financial statements.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1862 through the consolidation of existing land areas and school districts. The School District serves an area of approximately forty-two square miles. It is located in Darke and Shelby Counties. The School District is the 530th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by thirty-two classified employees, fifty-two certified teaching personnel, and five administrative employees who provide services to 833 students and other community members. The School District currently operates two instructional/support buildings.

Reporting Entity

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

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

The School District participates in four jointly governed organizations and two insurance pools. These organizations are the Shelby County Local Professional Development Committee, Southwestern Ohio Educational Purchasing Council, Upper Valley Joint Vocational School, Western Ohio Computer Organization, Ohio Association of School Business Officials' Workers' Compensation Group Rating Plan and Shelby County Schools Consortium. These organizations are presented in Notes 15 and 16 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

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

1. Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental receipts) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

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

2. Fund Financial Statements

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

B. Fund Accounting

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

1. Governmental Funds

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

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

2. Fiduciary Funds

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. The School District does not have any trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for staff generated revenues for noninstructional activities and various student-managed activities.

C. Basis of Accounting

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

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

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the schedule of tax funds, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The schedule of tax funds indicates the projected receipts and disbursements for those funds receiving tax monies. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the function level for the General Fund and the fund level for all other funds. Budgetary allocations at the object level within the General Fund and the function and object level for all other funds are made by the Treasurer.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

E. Cash and Investments

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

During fiscal year 2008, the School District's investments included nonnegotiable certificates of deposit, federal securities, mutual funds, and STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2008.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2008 was \$148,996, which included \$35,816 assigned from other School District funds.

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

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

F. Capital Assets

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

G. Interfund Balances

On fund financial statements, interfund loans are classified as "Advances In/Out". Interfund balances within governmental activities are eliminated on the statement of net assets.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Compensated Absences

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

I. Long-Term Obligations

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

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for adult education programs, music and athletic programs, vocational programs, and federal and state grants restricted to expenditure for specified purposes. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. At June 30, 2008, there were no net assets restricted by enabling legislation.

K. Fund Balance Reserves

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

L. Interfund Activity

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

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

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

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

3. COMPLIANCE

At June 30, 2008, the school district's expenditures and outstanding encumbrances exceeded appropriations in the Classroom Facilities capital project fund and the Athletic special revenue fund, as follows:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures Plus Outstanding Encumbrances</u>	<u>Variance</u>
Athletic Fund Special Revenue	\$ 128,115	\$ 130,232	(\$2,117)
Classroom Facilities Capital Projects	13,615,596	13,658,204	(42,608)

The School District will monitor the activity of their funds more closely towards fiscal year end to stay within amounts appropriated.

4. DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

The District's investments at June 30, 2008 were as follows:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Investment Maturities (in Years)</u>		
			<u>Less Than 1</u>	<u>1 - 3</u>	<u>3 - 5</u>
STAR Ohio	\$ 5,752,237	AAAm ¹	\$5,752,237		
First American Money Market	57,191	AAAm ¹	57,191		
Fifth/Third Govt. Money Market	23,446	AAAm ¹	23,446		
Federal Farm Credit Banks Notes	1,250,000	AAA ¹ , Aaa ²	1,250,000		
Federal Home Loan Bank Bonds	1,080,000	AAA ¹ , Aaa ²		\$730,000	\$ 350,000
Federal National Mortgage Association Notes	2,544,432	AAA ¹ , Aaa ²	2,144,432		400,000
Federal Home Loan Mortgage Corporation Notes	2,350,000	AAA ¹ , Aaa ²		1,350,000	1,000,000
Total Investments	<u>\$13,057,306</u>		<u>\$9,227,306</u>	<u>\$2,080,000</u>	<u>\$1,750,000</u>

¹ Standard & Poor's

² Moody's Investor Service

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

	<u>Classroom Facilities</u>	<u>Building</u>	<u>Bond Retirement</u>
STAR Ohio	\$5,082,239	\$147,377	\$89,604
First American Mutual		57,191	
Fifth/Third Govt. Mutual	22,701	745	
Federal Farm Credit Banks Notes	1,250,000		
Federal Home Loan Bank Bonds	730,000	350,000	
Federal National Mortgage Association Notes	740,478	1,803,954	
Federal Home Loan Mortgage Corporation Notes	1,850,000	500,000	
Total	<u>\$9,675,418</u>	<u>\$2,859,267</u>	<u>\$89,604</u>

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

The School District has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that mutual funds must consist of obligations listed in items 1 and 2 on page 27 and STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

The School District places no limit on the amount it may invest in any one issuer. The following table indicates the percentage of each investment to the total portfolio:

	Carrying Value	Percentage of Portfolio
Federal Farm Credit Banks Notes	\$1,250,000	9.57%
Federal Home Loan Bank Bonds	1,080,000	8.27
Federal National Mortgage Association Notes	2,544,432	19.49
Federal Home Loan Mortgage Corporation Notes	2,350,000	18.00

5. PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2008 represent the collection of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2008 represent the collection of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien on December 31, 2006, were levied after April 1, 2007, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

5. PROPERTY TAXES (Continued)

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

The School District receives property taxes from Darke and Shelby Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$71,080,700	90.90%	\$72,486,480	95.30%
Public Utility	2,171,730	2.78	1,933,670	2.54
Tangible Personal	4,942,870	6.32	1,644,110	2.16
Total Assessed Value	<u>\$78,195,300</u>	<u>100.00%</u>	<u>\$76,064,260</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$48.87		\$48.87	

6. INCOME TAX

The School District levies a voted tax of 1.5 percent for general operations on the income of residents and estates. In March 2004, the tax has been renewed a .75 percent for five-year periods, effective through December 31, 2009. In November 2005, an additional voted tax of .75 percent for four years was passed, effective through December 31, 2009. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

7. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the School District contracted with the Indiana Insurance Company for the following insurance coverage.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

7. RISK MANAGEMENT (Continued)

General Liability	
Per Occurrence	\$1,000,000
Aggregate	2,000,000
Automobile Liability	1,000,000
Building	18,653,500
Inland Marine	765,200
Excess Liability	2,000,000

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

For fiscal year 2008, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (the Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The third party administrator, Sheakley Company, reviews each participant's claims experience and determines the rating tier for that participant. A common premium rate is applied to all participants in a given rating tier. Each participant pays its workers' compensation premium to the State based on the rate for their rating tier rather than its individual rate. Sheakley Company provides administrative, cost control, and actuarial services to the Plan.

8. CONTRACTUAL OBLIGATIONS

As of June 30, 2008, the School District had contractual commitments as follows:

<u>Company</u>	<u>Project</u>	<u>Amount Remaining on Contract</u>
A-1 Products	Scoreboard	\$ 15,810
C & T Design	Kitchen Equipment and Systems	277,800
Chapel Romanoff Technologies	Technology Systems	248,350
Cotterman & Company	Roofing Contract	916,415
Four Seasons Environmental	Maintenance Plan	16,984
Freytag & Associates	Design Service	305,126
Keen & Cross Environmental	Asbestos Abatement	18,983
Miami Environmental Group	Asbestos Abatement Documentation	4,100
Peterson Construction Company	General Trades, Site Work Contracts	7,141,598
S. A. Communale	Fire Suppression Systems	219,000
Slagle Mechanical Contractors	Mechanical System	1,863,148
Slagle Mechanical Contractors	Plumbing Systems	426,303
Sollman Electric	Electrical Contract	1,444,936
The Osborn Engineering Company	Commissioning Services	47,182
Touchstone CPM	Construction Management Services	614,247
Total		<u>\$13,559,982</u>

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

9. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 was \$428,472, \$416,414, and \$402,654 respectively; 85 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions for the DCP and CP for the fiscal year ended June 30, 2008, were \$501 made by the School District and \$477 made by plan members.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

B. School Employees Retirement System

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

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006 was \$86,053, \$84,964, and \$80,060, respectively; 47 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2008, four of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

10. POST-EMPLOYMENT BENEFITS

A. State Teachers Retirement System

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contribution for health care for the fiscal years ended June 30, 2008, 2007, and 2006 was \$30,861, \$29,885, and \$28,761 respectively; 85 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

10. POST-EMPLOYMENT BENEFITS (Continued)

B. School Employees Retirement System

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2008, this amount was \$45,833.

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

The School District's contribution for health care for the fiscal years ended June 30, 2008, 2007, and 2006 was \$26,750, \$26,413, and \$25,980, respectively; 47 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2008, this actuarially required allocation was .66 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 was \$5,318, \$5,251, and \$4,999, respectively; 47 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

11. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. All employees may accumulate an unlimited number of sick leave days. Upon retirement, payment is made for 25 percent of a maximum of 225 of their accrued, but unused sick leave credit to a maximum of fifty-six and one-quarter (56.25) days for all employees.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

11. OTHER EMPLOYEE BENEFITS (Continued)

B. Health Care Benefits

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

12. LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2008 were as follows:

	<u>Balance at 6/30/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/08</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
General Long-Term Obligations					
<u>1998 School Facilities Issue</u>					
Capital Appreciation Bonds					
16.25 -19%	\$ 71,445		\$ 36,665	\$ 34,780	\$ 34,780
<u>Refunding 1998 Bond</u>					
Serial and Term Bonds					
4.00 - 4.20%	4,555,000		10,000	4,545,000	10,000
Capital Appreciation Bonds					
7.105%	289,998			289,998	
<u>2007 School Facilities Issue</u>					
Serial and Term Bonds					
4.00 - 4.25%	5,360,000		60,000	5,300,000	80,000
Capital Appreciation Bonds					
18.238%	65,999			65,999	
Total General Obligation Bonds	<u>10,342,442</u>		<u>106,665</u>	<u>10,235,777</u>	<u>124,780</u>
Other Long-Term Obligations					
Certificates of Participation		\$1,615,000		1,615,000	135,000
Total Long-Term Obligations	<u>\$10,342,442</u>	<u>\$1,615,000</u>	<u>\$106,665</u>	<u>\$11,850,777</u>	<u>\$259,780</u>

1998 School Facilities Issue

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

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

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

12. LONG-TERM OBLIGATIONS (Continued)

2006 School Improvement Refunding Bonds

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

The refunding bonds have interest rates from 4 to 7.1 percent and refunded \$4,910,000 of the 1998 School Facilities general obligation bonds. At June 30, 2008, \$4,910,000 of this debt was still outstanding.

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

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

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

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

2007 Classroom Facilities Bonds

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

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

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

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

12. LONG-TERM OBLIGATIONS (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

12. LONG-TERM OBLIGATIONS (Continued)

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

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

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

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

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

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

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

Certificates of Participation Notes

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

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

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

12. LONG-TERM OBLIGATIONS (Continued)

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

The School District's overall legal debt margin was (\$2,783,677) with an unvoted debt margin of \$75,046 at June 30, 2008.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2008, were as follows:

Fiscal Year Ending	General Obligation Bonds			
	Serial and Term		Capital Appreciation	
	Principal	Interest	Principal	Interest
2009	\$ 90,000	\$ 403,540	\$ 34,780	\$140,220
2010	265,000	396,440		
2011	275,000	385,640		
2012	285,000	374,440		
2013	325,000	362,240		
2014-2018	995,000	1,692,800	355,997	479,003
2019-2023	2,130,000	1,371,505		
2024-2028	2,400,000	888,337		
2029-2033	1,855,000	463,328		
2034-2036	1,225,000	75,756		
Totals	<u>\$9,845,000</u>	<u>\$6,414,026</u>	<u>\$390,777</u>	<u>\$619,223</u>

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

13. SET ASIDES

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2008.

	Textbooks	Capital Improvements
Balance June 30, 2007	(\$337,142)	(\$4,366,854)
Current Year Set Aside Requirement	120,790	120,790
Qualifying Expenditures	(151,825)	(101,056)
Current Year Offsets		(759,235)
Balance June 30, 2008	<u>(\$368,177)</u>	<u>(\$5,106,355)</u>

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

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

14. INTERFUND TRANSFERS

During fiscal year 2008, the General Fund made transfers to the Building capital projects fund and to other governmental funds, in the amounts of \$32,480 and \$6,000, respectively, to subsidize operations. The Ohio School Facilities Commission capital project fund transferred \$977,130 to the Building capital projects fund to correct an error in receipt of bond proceeds. Other Governmental Funds transferred \$39,593 to the General fund and Building Fund in the amounts of \$5,297 and \$39,593 respectively.

15. JOINTLY GOVERNED ORGANIZATIONS

A. Shelby County Local Professional Development Committee

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

B. Southwestern Ohio Educational Purchasing Council (SOEPC)

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

C. Upper Valley Joint Vocational School

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

D. Western Ohio Computer Organization (WOCO)

The Fort Loramie Local School District is a participant in the Western Ohio Computer Organization, which is a computer consortium. WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, Miami, and Shelby counties. WOCO was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

15. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

16. INSURANCE POOLS

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

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

B. Shelby County Schools Consortium

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

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

17. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

B. Litigation

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

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

18. SUBSEQUENT EVENT

On November 18, 2008, the School District issued \$1,480,000 in certificates of participation notes to retire notes previously issued for construction of additional classrooms and special use spaces in the Pre-K to Sixth grade building being constructed in partnership with the Ohio School Facilities Commission. The notes have an interest rate of 3.5 percent and mature on November 18, 2009.

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**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED**

The discussion and analysis of Ft. Loramie Local School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2007, within the limitations of cash basis accounting. The intent of this discussion and analysis is to look at the School District's financial performance as a whole.

Highlights for fiscal year 2007 are as follows:

- On November 8, 2005, the district passed an additional .75 percent school district income tax for a period of four years beginning January 1, 2006, which was estimated to provide \$573,000 per year. Fiscal year 2007 was the first year with four quarterly payments of income tax at the combined rate of 1.5 percent. Total income tax revenues for the fiscal year were \$1,203,994.
- Beginning with tax year 2005, the State of Ohio began a four-year phase-out of taxes collected on tangible personal property. Revenues from tangible personal property taxes in fiscal year 2007 decreased 35 percent from those in the previous year.
- Negotiated agreements with teaching and classified staff were settled in August 2006 for the 2006-2007 and 2007-2008 school years. Base salary increases for teaching staff of 2.75 percent were granted for each year. The base wage rate for classified staff increased 2 percent in fiscal year 2007 with addition of a 15-year experience step, and will increase 2.75 percent in fiscal year 2008.
- On August 22, 2006, the district refunded its 1998 school improvement bond issue. Refunding bonds in the amount of \$4,909,998 were issued with an average interest rate of 4.188 percent and maturity dates from fiscal years 2007 through 2028. The district contributed \$200,000 from cash reserves to the refunding and requested the Shelby County Auditor to reduce tax collection for the issue by 1.9 mills.
- The District entered into the Classroom Facilities Assistance Program of the Ohio School Facilities Commission (OSFC). On November, 7, 2006, School District voters approved a tax levy for this project, consisting of a bond levy for \$5,426,371 in school improvement bonds for 29 years, a .5 mill maintenance levy for 23 years, and a 1.9 mill permanent improvement levy for a continuing period of time. The State of Ohio is to provide \$11,195,199 for the approved project, which is estimated to be about 69 percent of eligible construction costs.
- On November 20, 2006, the Board of Education authorized the issuance of bond anticipation notes in an amount not to exceed \$5,426,371 for the local share of this project. These notes were issued on December 21, 2006, at an interest rate of 4.39 percent, and matured May 10, 2007. Bonds in the amount of \$5,425,999 were issued on March 7, 2007, at an average interest rate of 4.263 percent. The final maturity date of the issue will be December 1, 2035.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Using This Annual Report

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

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

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

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

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other nonmajor funds presented in total in a single column. For Ft. Loramie Local School District, the General Fund, Bond Retirement debt service fund, and Ohio School Facilities Commission capital project fund are the most significant funds.

Reporting The School District As A Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2007, within the limitations of cash basis accounting. The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the School District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Factors which contribute to these changes may include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

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

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Reporting The School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Bond Retirement debt service fund, and the Ohio School Facilities Commission capital projects fund.

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

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

The School District As A Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2007 and fiscal year 2006:

Table 1			
Governmental Activities			
Net Assets			
	2007	2006	Change
Assets:			
Cash and Cash Equivalents	\$8,591,096	\$2,023,511	\$6,567,585
Net Assets:			
Restricted	7,020,272	846,598	6,173,674
Unrestricted	1,570,824	1,176,913	393,911
Total Net Assets	\$8,591,096	\$2,023,511	\$6,567,585

The School District's building project in partnership with the Ohio School Facilities Program was the major factor in the change in the district's assets. Current assets and restricted net assets include the unspent proceeds of debt. As of June 30, 2007, the project was still in the design phase, so associated expenditures were minimal.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Table 2 reflects the change in net assets for fiscal year 2007 and fiscal year 2006.

**Table 2
Change in Net Assets**

	<u>2007</u>	<u>2006</u>	<u>Change</u>
Receipts:			
Program Receipts:			
Charges for Services	\$ 501,373	\$ 488,279	\$ 13,094
Operating Grants, Contributions, and Interest	710,644	505,516	205,128
Capital Grants and Contributions	11,591	20,838	(9,247)
Total Program Receipts	<u>1,223,608</u>	<u>1,014,633</u>	<u>208,975</u>
General Receipts:			
Property Taxes	2,334,531	2,278,356	56,175
Income Taxes	1,203,994	679,083	524,911
Grants and Entitlements	3,985,132	3,399,795	585,337
Interest	266,330	60,180	206,150
General Obligation Notes Issued	5,426,371		5,426,371
General Obligation Bonds Issued	5,425,999		5,425,999
General Obligation Refunding Bonds Issued	4,909,998		4,909,998
Premium of Notes and Bonds Issued	116,401		116,401
Premium on Refunding Bonds Issued	69,827		69,827
Miscellaneous	22,768	33,854	(11,086)
Total General Receipts	<u>23,761,351</u>	<u>6,451,268</u>	<u>17,310,083</u>
Total Receipts	<u>24,984,959</u>	<u>7,465,901</u>	<u>17,519,058</u>
Disbursements:			
Instruction:			
Regular	3,301,553	2,993,860	(307,693)
Special	410,856	338,310	(72,546)
Vocational	2,829	3,764	935
Support Services:			
Pupils	518,313	466,744	(51,569)
Instructional Staff	343,040	334,459	(8,581)
Board of Education	28,122	16,886	(11,236)
Administration	570,844	544,866	(25,978)
Fiscal	194,479	180,324	(14,155)
Business	639	637	(2)
Operation and Maintenance of Plant	548,988	532,029	(16,959)
Pupil Transportation	338,926	186,100	(152,826)
Central	53,022	50,683	(2,339)
Noninstructional Services	260,710	239,731	(20,979)
Extracurricular Activities	320,777	298,799	(21,978)
Capital Outlay	280,761		(280,761)
Debt Service:			
Principal Retirement	5,529,871	170,000	(5,359,871)
Payment to Refunded Bond Escrow Agent	5,080,045		(5,080,045)
Interest and Fiscal Charges	425,232	243,093	(182,139)
Issuance Costs	208,647		(208,647)
Total Disbursements	<u>18,417,654</u>	<u>6,600,285</u>	<u>(11,817,369)</u>
Increase in Net Assets	6,567,305	865,616	5,701,689
Net Assets at Beginning of Year	2,023,791	1,158,175	865,616
Net Assets at End of Year	<u>\$8,591,096</u>	<u>\$2,023,791</u>	<u>\$6,567,305</u>

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Total revenues increased 235 percent. The School District issued general obligation bonds, general obligation refunding bonds, and notes during fiscal year 2007, in the amount \$5,425,999, \$4,909,998, and \$5,426,371, respectively, in relation to obtaining the Ohio School Facilities Commission grant for construction and renovation of school buildings. Excepting the debt proceeds, general revenues increased 21 percent during fiscal year 2007. The School District's general receipts increased due to several factors. Property tax revenues increased slightly, with growth in real property valuation and the collection of additional levies for new bond retirement, permanent improvement, and facilities maintenance levies. Income tax revenues increased significantly with the collection of a .75 percent additional income tax levy, effective January 1, 2006. Income tax revenues increased 77 percent because fiscal year 2007 was the first full year of collection at 1.5 percent combined rate.

Interest earnings increased 343 percent in fiscal year 2007. About 90 percent of the increase can be attributed the building project, earned on the proceeds of note and bond sales and the additional taxes collected from new property tax levies.

Except for debt transactions, the overall total expenses increased 17 percent. Increased personnel costs resulted from the contract agreements with district staff, the restoration of a partial teaching position, and employment of an additional aide. Additional expenses were incurred for fiscal services as a result of debt issuance, along with the preliminary costs of construction.

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

**Table 3
Governmental Activities**

	Total Cost Of Services		Net Cost Of Services	
	2007	2006	2007	2006
Instruction:				
Regular	\$3,301,553	\$2,993,860	\$3,150,274	\$2,830,929
Special	410,856	338,310	4,810	(34,129)
Vocational	2,829	3,764	2,047	3,582
Support Services:				
Pupils	518,313	466,744	434,377	426,624
Instructional Staff	343,040	334,459	343,040	334,459
Board of Education	28,122	16,886	28,122	16,886
Administration	570,844	544,866	570,844	544,866
Fiscal	194,479	180,324	194,479	180,324
Business	639	637	639	637
Operation and Maintenance of Plant	548,988	532,029	523,128	523,079
Pupil Transportation	338,926	186,100	168,952	173,712
Central	53,022	50,683	48,022	50,683
Non-instructional Services	260,710	239,731	370	(27,165)
Extracurricular Activities	320,777	298,799	200,386	148,072
Capital Outlay	280,761		280,761	
Debt Service:				
Principal Retirement	5,529,871	170,000	5,529,871	170,000
Payment to Refunded Bond Escrow Agent	5,080,045		5,080,045	
Interest and Fiscal Charges	425,232	243,093	425,232	243,093
Issuance Costs	208,647		208,647	
Total Disbursements	\$18,417,654	\$6,600,285	\$17,194,046	\$5,585,652

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Disbursements in the Instructional functions increased 11 percent overall, with increases in base salaries and related benefits, as well as increases on spending for classroom technology, which had been suspended in previous years. Spending for special instruction increased at a greater level due to the needs of eligible students. Spending for fiscal services and interest and fiscal charges increased due to issuance new debt, both for the Ohio School Facilities Commission project and the refunding of the 1998 bond issue. Increased spending for transportation included the purchase of two school buses during the fiscal year. Excluding debt service transactions, receipts plus carryover cash balances supplied 83 percent of resources needed to finance school activities.

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting. The School District's major governmental funds are the General Fund, the Bond Retirement debt service fund, and the Ohio School Facilities Commission capital projects fund. Property tax receipts increased from fiscal year 2006 with new construction and additional levies. Income taxes increased as fiscal year 2007 was the first full year collection at the 1.5 percent rate. The School District received slightly less in basic aid revenues during fiscal year 2007. Additional state funding was received to offset the reduction of tangible personal property tax collections. Interest revenue increased significantly due to larger cash balances to be invested. With the collection of increased tax revenues and additional interest earnings, the School District realized growth in cash reserves of \$398,549 in the General Fund.

The Bond Retirement debt service fund property taxes were sufficient to cover the principal and interest payments for the fiscal year.

The grant from the Ohio School Facilities Commission and debt proceeds are expected to be sufficient to fund the cost of construction of the new elementary school and renovations to the existing junior/senior high school.

General Fund Budgeting Highlights

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

For the General Fund, final budgeted receipts increased by 3 percent from the School District's original estimates. The original appropriations were increased 13.9 percent from fiscal year 2006 disbursements, with increases for personnel costs and resumption of spending on materials and equipment that had been severely reduced prior to passage of the additional .75 percent income tax.

Final appropriations were increased \$498,230 or 8.14 percent from the original appropriations. Total disbursements of \$6,643,193 remained below the total final appropriations. The major variance occurred with a transfer \$191,294 from the General Fund to the Building Fund, including a pass-through transfer of \$59,618, originally from the Capital Improvements Fund. The General Fund also transferred \$42,350 to the bond retirement fund for interest costs during the period from December 22, 2006 through May 10, 2007 when both Bond Anticipation Notes and Bonds for the OSFC building project were outstanding.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Current Issues

The School District is in design phase of its building project with the Ohio School Facilities Commission. This project will encompass the construction of a new Pre-Kindergarten through Sixth Grade building on land currently owned by the district, and the renovation of the existing Junior/Senior High School building. Current plans call for bids to be opened in late January 2008, with construction of the new building to begin in the spring of 2008.

OSFC design specifications do not meet the needs the district perceives for the Pre-K to sixth grade building. These needs, known as "Locally Funded Initiatives" (LFI), include four classrooms and enhanced stage and gymnasium facilities. Statutes on debt limitation do not allow the district to issue additional bonded debt to cover these needs. On October 15, 2007, the Board of Education voted to authorize lease-purchase financing in an amount not to exceed \$1,650,000. While no revenue stream is officially dedicated for repayment of this debt, the Board intends to use the proceeds of the Permanent Improvement levy for repayment. On November 20, 2007 the district issued notes in the amount \$1,615,000 with an interest rate of 4.125 percent for a period of one-year. It is anticipated that this debt will be retired within ten to fifteen years.

The School District passed an additional .75 percent school district income tax levy for four years on the ballot in November 2005. The first year's revenues, which were received from April 2006 through July 2007, generated approximately \$700,000 additional revenues for the District. The income tax levies, currently totaling 1.5 percent, expire December 31, 2009. Currently, the District plans to seek renewal of the levies.

Personal tangible tax collections in fiscal year 2007 were \$176,708 less than in fiscal year 2006. This reduction was expected and reductions in future years are anticipated under the State of Ohio's elimination of this revenue source.

Request For Information

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

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**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2007**

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$8,591,096</u></u>
Net Assets	
Restricted for:	
Debt Service	599,507
Capital Projects	6,231,093
Other Purposes	189,672
Unrestricted	<u>1,570,824</u>
Total Net Assets	<u><u>\$8,591,096</u></u>

See accompanying notes to the basic financial statements.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Program Cash Receipts</u>			Net (Disbursement) Receipt and Change in Net Assets	
	<u>Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Interest</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities					
Instruction:					
Regular	\$3,301,553	\$107,148	\$44,131		(\$3,150,274)
Special	410,856		406,046		(4,810)
Vocational	2,829		782		(2,047)
Support Services:					
Pupils	518,313	68,855	15,081		(434,377)
Instructional Staff	343,040				(343,040)
Board of Education	28,122				(28,122)
Administration	570,844				(570,844)
Fiscal	194,479				(194,479)
Business	639				(639)
Operation and Maintenance of Plant	548,988		18,907	\$6,953	(523,128)
Pupil Transportation	338,926	1,108	164,228	4,638	(168,952)
Central	53,022		5,000		(48,022)
Non-instructional Services	260,710	215,999	44,341		(370)
Extracurricular Activities	320,777	108,263	12,128		(200,386)
Capital Outlay	280,761				(280,761)
Debt Service:					
Principal Retirement	5,529,871				(5,529,871)
Payment to Escrow Agent	5,080,045				(5,080,045)
Interest and Fiscal Charges	425,232				(425,232)
Issuance Costs	208,647				(208,647)
Total Governmental Activities	<u>\$18,417,654</u>	<u>\$501,373</u>	<u>\$710,644</u>	<u>\$11,591</u>	<u>(17,194,046)</u>

General Receipts

Property Taxes Levied for:

General Purposes	1,650,520
OSFC Maintenance	17,963
Debt Service	597,791
Permanent Improvement	68,257
Income Taxes	1,203,994
Grants and Entitlements Not Restricted to Specific Programs	3,985,132
Interest	266,330
Notes Issued	5,426,371
General Obligation Bonds Issued	5,425,999
Refunding Bonds Issued	4,909,998
Premium on Notes and Bonds Issued	116,401
Premium on Refunding Bonds Issued	69,827
Miscellaneous	22,768
Total General Receipts	<u>23,761,351</u>
 Change in Net Assets	 6,567,305
 Net Assets at Beginning of Year	 <u>2,023,791</u>
 Net Assets at End of Year	 <u>\$8,591,096</u>

See accompanying notes to the basic financial statements.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	<u>General</u>	<u>Bond Retirement</u>	<u>Ohio School Facilities Commission</u>	<u>Other Governmental</u>	<u>Total</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$1,570,724	\$599,507	\$5,964,713	\$451,414	\$8,586,358
Restricted Assets					
Equity in Pooled Cash and Cash Equivalents	4,738				4,738
Total Assets	<u>1,575,462</u>	<u>599,507</u>	<u>5,964,713</u>	<u>451,414</u>	<u>8,591,096</u>
Fund Balances					
Reserved for Bus Purchases	4,638				4,638
Reserved for Encumbrances	196,586		925,712	17,386	1,139,684
Unreserved, Reported in:					
General Fund	1,374,238				1,374,238
Special Revenue Funds				167,648	167,648
Debt Service Fund		599,507			599,507
Capital Projects Funds			5,039,001	266,380	5,305,381
Total Fund Balances	<u>\$1,575,462</u>	<u>\$599,507</u>	<u>\$5,964,713</u>	<u>\$451,414</u>	<u>\$8,591,096</u>

See accompanying notes to the basic financial statements.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	General	Bond Retirement	Ohio School Facilities Commission	Other Governmental	Total
Receipts:					
Property Taxes	\$1,650,520	\$597,791		\$86,220	\$2,334,531
Income Taxes	1,203,994				1,203,994
Intergovernmental	3,566,336	69,496	\$740,786	299,624	4,676,242
Interest	187,050		75,754	5,673	268,477
Tuition and Fees	126,341			2,273	128,614
Charges for Services	2,413			222,421	224,834
Extracurricular Activities				146,620	146,620
Gifts and Donations	7,917			21,061	28,978
Miscellaneous	14,926			9,147	24,073
Total Receipts	6,759,497	667,287	816,540	793,039	9,036,363
Disbursements:					
Current:					
Instruction:					
Regular	3,271,004			30,549	3,301,553
Special	375,098			35,758	410,856
Vocational	2,829				2,829
Support Services:					
Pupils	333,551			184,762	518,313
Instructional Staff	309,198			33,842	343,040
Board of Education	28,122				28,122
Administration	550,264		362	20,218	570,844
Fiscal	180,705	11,670		2,104	194,479
Business	639				639
Operation and Maintenance of Plant	536,923			12,065	548,988
Pupil Transportation	338,506			420	338,926
Central	42,469			10,553	53,022
Non-instructional Services				260,710	260,710
Extracurricular Activities	208,865			111,912	320,777
Capital Outlay	2,175		277,836	750	280,761
Debt Service:					
Principal Retirement		5,529,871			5,529,871
Interest and Fiscal Charges		425,232			425,232
Issuance Costs		208,647			208,647
Total Disbursements	6,180,348	6,175,420	278,198	703,643	13,337,609
Excess of Receipts Over (Under) Disbursements	579,149	(5,508,133)	538,342	89,396	(4,301,246)
Other Financing Sources (Uses)					
Notes Issued			5,426,371		5,426,371
General Obligation Bonds Issued		5,425,999			5,425,999
General Obligation Refunding Bonds Issued		4,909,998			4,909,998
Premium on General Obligation Notes and Bonds		116,401			116,401
Premium on Refunding Bonds		69,827			69,827
Payment to Refunded Bond Escrow Agent		(5,080,045)			(5,080,045)
Advances In	25,633			27,517	53,150
Advances Out	(27,517)			(25,633)	(53,150)
Transfers In	59,618	42,350		195,984	297,952
Transfers Out	(238,334)			(59,618)	(297,952)
Total Other Financing Sources (Uses)	(180,600)	5,484,530	5,426,371	138,250	10,868,551
Changes in Fund Balances	398,549	(23,603)	5,964,713	227,646	6,567,305
Fund Balances at Beginning of Year	1,176,913	623,110		223,768	2,023,791
Fund Balances at End of Year	<u>\$1,575,462</u>	<u>\$599,507</u>	<u>\$5,964,713</u>	<u>\$451,414</u>	<u>\$8,591,096</u>

See accompanying notes to the basic financial statements.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Receipts:				
Property Taxes	\$1,476,366	\$1,647,325	\$1,650,520	\$3,195
Income Taxes	1,062,325	1,068,265	1,203,994	135,729
Intergovernmental	3,600,385	3,572,468	3,566,336	(6,132)
Interest	57,000	57,000	187,050	130,050
Tuition and Fees	133,390	126,790	126,341	(449)
Charges for Services	6,099	6,099	2,413	(3,686)
Gifts and Donations			8,640	8,640
Miscellaneous	4,821	4,821	14,203	9,382
Total Receipts	<u>6,340,386</u>	<u>6,482,768</u>	<u>6,759,497</u>	<u>276,729</u>
Disbursements				
Current:				
Instruction:				
Regular	3,292,258	3,320,520	3,291,778	28,742
Special	384,962	393,562	377,015	16,547
Vocational		2,560	2,829	(269)
Other	78,510	79,978	70,032	9,946
Support Services:				
Pupils	378,100	379,033	339,904	39,129
Instructional Staff	327,832	327,832	313,188	14,644
Board of Education	29,466	49,955	44,067	5,888
Administration	569,182	575,723	553,506	22,217
Fiscal	177,200	194,237	183,447	10,790
Business	680	1,319	1,278	41
Operation and Maintenance of Plant	585,228	638,619	591,841	46,778
Pupil Transportation	36,147	385,137	350,600	34,537
Central	44,069	45,924	42,649	3,275
Extracurricular Activities	207,791	209,056	209,008	48
Capital Outlay	9,330	15,530	6,200	9,330
Total Disbursements	<u>6,120,755</u>	<u>6,618,985</u>	<u>6,377,342</u>	<u>241,643</u>
Excess of Receipts Over (Under) Disbursements	<u>219,631</u>	<u>(136,217)</u>	<u>382,155</u>	<u>518,372</u>
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	414	414		(414)
Refund of Prior Year Receipts		(270)		270
Advances In			25,633	25,633
Advances Out		(10,000)	(27,517)	(17,517)
Transfers In		59,618	59,618	
Transfers Out	(4,500)	(242,500)	(238,334)	4,166
Total Other Financing Sources (Uses)	<u>(4,086)</u>	<u>(192,738)</u>	<u>(180,600)</u>	<u>12,138</u>
Changes in Fund Balance	215,545	(328,955)	201,555	530,510
Fund Balance at Beginning of Year	944,902	944,902	944,902	
Prior Year Encumbrances Appropriated	<u>232,011</u>	<u>232,011</u>	<u>232,011</u>	
Fund Balance at End of Year	<u>\$1,392,458</u>	<u>\$847,958</u>	<u>\$1,378,468</u>	<u>\$530,510</u>

See accompanying notes to the basic financial statements.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CASH BASIS FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007**

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$44,840</u>
Net Assets	
Held for Students	43,757
Held for Staff	<u>1,083</u>
Total Net Assets	<u>\$44,840</u>

See accompanying notes to the basic financial statements.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established through the consolidation of existing land areas and school districts. The School District serves an area of approximately forty-two square miles. It is located in Shelby and Darke Counties. In terms of enrollment, the School District was the 537th largest in the State of Ohio (among 610 traditional public school districts) in fiscal year 2007. It is staffed by thirty-two classified employees, fifty-two certified teaching personnel, and five administrative employees who provide services to 844 students and other community members. The School District currently operates two instructional/support buildings.

Reporting Entity

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

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

The School District participates in five jointly governed organizations and three insurance pools. These organizations are presented in Notes 14 and 15 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

- Shelby County Local Professional Development Committee
- Southwestern Ohio Educational Purchasing Council
- Upper Valley Joint Vocational School
- West Central Ohio Special Education Regional Resource Center
- Western Ohio Computer Organization

Insurance Purchasing Pools:

- Southwestern Ohio Education Purchasing Council Workers' Compensation Group Rating Plan
- Shelby County Schools Consortium
- Schools of Ohio Risk Sharing Authority

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

1. Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

2. Fund Financial Statements

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

B. Fund Accounting

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

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The School District's major funds are the General Fund and Bond Retirement debt service fund.

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

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

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

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

2. Fiduciary Funds

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District did not have any private purpose trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for staff generated revenues for noninstructional activities and various student-managed activities.

C. Basis of Accounting

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

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

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the revised tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The revised tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control selected by the Board is the fund and function level for the General Fund and the fund level for all other funds. Any budgetary modifications at this level may only be made by the Board of Education. Budgetary allocations at the object level within the General Fund and the function and object level in all other funds are made by the Treasurer.

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

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

E. Cash and Investments

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

The District has invested funds in federal securities, mutual funds, and STAR Ohio during 2007. Investments are reported at fair value. Fair value is based on quoted market price or current share price for mutual funds. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price with is the price the investment could be sold for on June 30, 2007.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2007 was \$187,050 which includes \$88,463 assigned from other School District funds.

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

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation.

Restricted assets in the General Fund include amounts required by State statute to be set aside to create a reserve for bus purchases.

G. Capital Assets

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

H. Compensated Absences

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

I. Long-Term Obligations

Modified cash basis financial statements do not report liabilities for bonds. Proceeds of debt are reported when cash is received and principal and interest payments are reported when disbursements are made.

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specified purposes. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The School District did not have any net assets restricted by enabling legislation at June 30, 2007.

K. Fund Balance Reserves

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

L. Interfund Activity

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

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities.

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

3. COMPLIANCE

At June 30, 2007, the school district's expenditures and outstanding encumbrances exceeded appropriations in the following General Fund account:

<u>Fund Function/Object</u>	<u>Appropriations</u>	<u>Expenditures Plus Outstanding Encumbrances</u>	<u>Variance</u>
General Fund			
Academic Activities	\$26,652	\$26,922	(\$270)
Ohio School Facilities			
Commission Capital Projects Fund	1,200,000	1,203,911	(3,911)

4. DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

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

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

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers' acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

The District's investments at June 30, 2007 were as follows:

	Cash Value	Credit Rating	Investment Maturities (in Years)		
			Less Than 1	1-3	3-5
STAR Ohio	\$ 580,816	AAAm ¹	\$580,816		
Fifth/Third Govt. Money Market	15,720	AAAm ¹	15,720		
Federal Farm Credit Banks Notes	1,226,459	AAA ¹ ,Aaa ²		\$1,226,459	
Federal Home Loan Bank Bonds	445,761	AAA ¹ ,Aaa ²		445,761	
Federal Home Loan Bank Notes	1,341,484	AAA ¹ ,Aaa ²		1,341,484	
Federal National Mortgage Assoc. Notes	2,017,907	AAA ¹ ,Aaa ²		2,017,907	
Federal Home Loan Mortgage Corp. Notes	390,000	AAA ¹ ,Aaa ²			\$390,000
Total Investments	\$6,018,147		\$596,536	\$5,031,611	\$390,000

³ Standard & Poor's

⁴ Moody's Investor Service

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

	<u>Classroom Facilities</u>	<u>Building</u>	<u>Bond Retirement</u>
Federal Farm Credit Banks Notes	\$1,226,459		
Federal Home Loan Bank Bonds	445,761		
Federal Home Loan Bank Notes	1,341,484		
Federal National Mortgage Association Notes	1,667,907	\$350,000	
Federal Home Loan Mortgage Corporation Notes		390,000	
Fifth/Third Govt. Money Market	8,322	7,398	
STAR Ohio	527,316	7,040	\$46,460

The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless matched to a specific obligation or debt of the School District. The Treasurer is also restricted from purchasing investments that cannot be held until the maturity date.

The School District has no policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that no-load money market mutual funds must be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service and that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

The School District places no limit on the amount of its interim monies it may invest in a particular security. The following table indicates the percentage of each investment to the School District's total portfolio.

	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Federal Farm Credit Banks Notes	\$1,226,459	20.38%
Federal Home Loan Bank Bonds	445,761	7.41
Federal Home Loan Bank Notes	1,341,484	22.29
Federal National Mortgage Association Notes	2,017,907	33.53
Federal Home Loan Mortgage Corporation Notes	390,000	6.48

5. PROPERTY TAXES

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

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

5. PROPERTY TAXES (Continued)

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2007 represent the collection of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2007 represent the collection of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien on December 31, 2005, were levied after April 1, 2006, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

The School District receives property taxes from Shelby and Darke Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2007 taxes were collected are:

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$71,080,700	90.25%	\$71,080,700	90.90%
Public Utility	2,178,300	2.76	2,171,730	2.78
Tangible Personal	5,503,616	6.99	4,942,870	6.32
Total Assessed Value	<u>\$78,762,616</u>	<u>100.00%</u>	<u>\$78,195,300</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$43.90		\$48.87	

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

6. INCOME TAX

The School District levies a voted tax of 1.5 percent for general operations on the income of residents and estates. In March 2004, the tax has been renewed a .75 percent for five-year periods, effective through December 31, 2009. In November 2005, an additional voted tax of .75 percent for four years was passed, effective through December 31, 2009. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

7. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2007, the School District contracted for the following insurance coverage.

Schools of Ohio Risk Sharing Authority	
Building and Contents - Replacement cost (\$1,000 deductible - 100% co-insurance)	\$18,783,003
Inland Marine Coverage (\$1,000 deductible)	1,500,000
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000
Medical Payments per person	5,000
General Liability	
Per occurrence	1,000,000
Annual Aggregate	3,000,000

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

For fiscal year 2007, the School District participated in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool. Each participant enters into an individual agreement with the SORSA for insurance coverage and pays annual premiums to the SORSA based on the types and limits of coverage and deductibles selected by the participant.

For fiscal year 2007, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Program (the Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The third party administrator, Hunter Consulting Company, reviews each participant's claims experience and determines the rating tier for that participant. A common premium rate is applied to all participants in a given rating tier. Each participant pays its workers' compensation premium to the State based on the rate for their rating tier rather than its individual rate. Hunter Consulting Company provides administrative, cost control, and actuarial services to the Plan.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

8. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

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

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2007, 2006, and 2005 was \$416,414, \$402,654, and \$421,050, respectively; 85 percent has been contributed for fiscal year 2007 and 100 percent has been contributed for fiscal years 2006 and 2005. Contributions for the DCP and CP for the fiscal year ended June 30, 2007, were \$429 made by the School District and \$409 made by plan members.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

B. School Employees Retirement System

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2007 was 14 percent of annual covered payroll; 10.68 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, 2007, 2006, and 2005 were \$84,964, \$80,060, and \$82,365, respectively; 47 percent has been contributed for fiscal year 2007 and 100 percent has been contributed for fiscal years 2006 and 2005.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2007, three of the five Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

9. 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.

STRS retirees who participated in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2007, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount was \$29,885.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$4.1 billion at June 30, 2007. For the fiscal year ended June 30, 2007, net health care costs paid by STRS were \$265,558,000, and STRS had 122,934 eligible benefit recipients.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

9. POST-EMPLOYMENT BENEFITS (Continued)

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All members must pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the School District, the amount to fund health care benefits, including the surcharge, was \$38,409 for fiscal year 2007.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2006 (the latest available information), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants currently receiving health care benefits.

10. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. All employees may accumulate an unlimited number of sick leave days. Upon retirement, payment is made for 25 percent of a maximum of 225 of their accrued, but unused sick leave credit to a maximum of fifty-six and one-quarter (56.25) days for all employees.

B. Health Care Benefits

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

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

11. LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2007 were as follows:

	<u>Balance at 6/30/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/07</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
General Long-Term Obligations					
1998 School Facilities Issue					
Serial and Term Bonds 3.70 - 5.00%	\$4,910,000		\$4,910,000		
Capital Appreciation Bonds 16.25 -19%	109,945		38,500	\$ 71,445	\$ 36,666
Refunding 1998 Bond					
Serial and Term Bonds 4.00 – 4.20%		\$ 4,620,000	65,000	4,555,000	10,000
Capital Appreciation Bonds 7.105%		289,998		289,998	
2007 School Facilities Issue					
Serial and Term Bonds 4.00 – 4.25%		5,360,000		5,360,000	60,000
Capital Appreciation Bonds 18.238%		65,999		65,999	
Total General Obligation Bonds	<u>\$5,019,945</u>	<u>\$10,335,997</u>	<u>\$5,013,500</u>	<u>\$10,342,442</u>	<u>\$106,666</u>

1998 School Facilities Issue

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

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

2006 School Improvement Refunding Bonds

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

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

11. LONG-TERM OBLIGATIONS (Continued)

The refunding bonds have interest rates from 4 to 7.1 percent and refunded \$4,910,000 of the 1998 School Facilities general obligation bonds. The School District contributed \$200,000 towards the refunding of this debt and the payment of issuance costs, in the amount of \$170,047 and \$29,953, respectively. The School District received a premium, in the amount of \$69,828. The net proceeds of \$4,909,998 plus the School District's contribution of \$170,047 (after payment of \$99,781 in underwriting fees, insurance, and other issuance costs, of which \$7,162 was refunded back to the School District) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded general obligation bonds. As a result, \$4,910,000 of the 1998 School Facilities general obligation bonds are considered to be defeased and the liability for those bonds has been removed from the School District's long-term obligations. At June 30, 2007, \$4,910,000 of this debt was still outstanding.

Although the refunding resulted in the recognition of an accounting loss, in the amount of \$170,045; the School District lowered its aggregated debt service payments by \$632,392 over the next twenty-one years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$396,783. The bonds are being retired from the Bond Retirement debt service fund, with the proceeds of a voted property tax levy.

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

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

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

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

2007 Classroom Facilities Bonds

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

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

11. LONG-TERM OBLIGATIONS (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

11. LONG-TERM OBLIGATIONS (Continued)

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

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

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

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

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

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

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

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

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

The School District's overall legal debt margin was (\$3,219,152) with an unvoted debt margin of \$72,486 at June 30, 2007.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

11. LONG-TERM OBLIGATIONS (Continued)

Fiscal Year Ending	General Obligation Bonds			
	Serial and Term		Capital Appreciation	
	Principal	Interest	Principal	Interest
2008	\$ 70,000	\$ 406,740	\$ 36,666	\$138,334
2009	90,000	403,540	34,779	140,220
2010	265,000	396,440		
2011	275,000	385,640		
2012	285,000	374,440		
2013-2017	940,000	1,731,500	355,997	479,003
2018-2022	2,050,000	1,456,240		
2023-2027	2,530,000	990,304		
2028-2032	1,780,000	539,497		
2033-2036	1,630,000	136,425		
Totals	<u>\$9,915,000</u>	<u>\$6,820,766</u>	<u>\$427,442</u>	<u>\$757,557</u>

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

12. SET ASIDES

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2007.

	Textbooks	Capital Improvements
Cash Balance as of June 30, 2006	(\$216,088)	(\$3,699,567)
Current Year Requirements	119,629	119,629
Current Year Offsets		(667,287)
Qualifying Disbursements	(240,683)	(119,629)
Total	<u>(\$337,142)</u>	<u>(\$4,366,854)</u>

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

13. INTERFUND TRANSFERS

During fiscal year 2007, the General Fund made transfers to the Bond Retirement debt service fund and other government funds, in the amounts of \$42,350 and \$195,984, respectively, to subsidize operations. Other government funds transferred remaining cash balance of \$59,618 to the General Fund in accordance with its authorizing legislation.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

14. JOINTLY GOVERNED ORGANIZATIONS

A. Western Ohio Computer Organization (WOCO)

The Fort Loramie Local School District is a participant in the Western Ohio Computer Organization, which is a computer consortium. WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, Miami, and Shelby counties. WOCO was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts.

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

B. Southwestern Ohio Educational Purchasing Council (SOEPC)

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

Financial information can be obtained from the Ohio Educational Purchasing Council, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45337.

C. Upper Valley Joint Vocational School

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

D. 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 Auglaize County Educational Service Center, 1045 Dearbaugh Avenue, Suite 2, Wapakoneta, Ohio 45895.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

14. JOINTLY GOVERNED ORGANIZATIONS (Continued)

E. 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

15. INSURANCE PURCHASING POOLS

A. Shelby County Schools Consortium

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

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

B. Southwestern Ohio Education Purchasing Council Workers' Compensation Group Rating Plan

For fiscal year 2007, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Program (the Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The third party administrator, Hunter Consulting Company, reviews each participant's claims experience and determines the rating tier for that participant. A common premium rate is applied to all participants in a given rating tier. Each participant pays its workers' compensation premium to the State based on the rate for their rating tier rather than its individual rate. Hunter Consulting Company provides administrative, cost control, and actuarial services to the Plan.

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

15. INSURANCE PURCHASING POOLS (Continued)

C. Schools of Ohio Risk Sharing Authority

The School District participates in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. SORSA is an incorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. SORSA's business and affairs are conducted by a board consisting of nine superintendents and treasurers, as well as an attorney, an accountant, and four representatives from the pool's administrator, Willis Pooling. Willis Pooling is responsible for processing claims and established agreements between SORSA and its members. Financial information can be obtained from Willis Pooling, 655 Metro Place South, Dublin, Ohio 43017.

16. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2007.

B. Litigation

The School District had no pending litigation during fiscal year 2007.

17. SUBSEQUENT EVENT

On November 20, 2007, the School District issued \$1,615,000 in certificates of participation notes for the construct of four additional classrooms, along with enhancements of the elementary building gym and stage areas. The notes have an interest rate of 4.125 percent and mature on November 18, 2008.

On November 18, 2008, the School District issued \$1,480,000 in certificates of participation notes to retire notes previously issued for construction of additional classrooms and special use spaces in the Pre-K to Sixth grade building being constructed in partnership with the Ohio School Facilities Commission. The notes have an interest rate of 3.5 percent and mature on November 18, 2009.

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Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fort Loramie Local School District, Shelby County, (the District) as of and for the years ended June 30, 2008 and 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 14, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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

We noted a certain matter that we reported to the District's management in a separate letter dated April 14, 2009.

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Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instance of noncompliance or other matters that we must report under *Government Auditing Standards*.

We also did certain noncompliance or other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated April 14, 2009.

We intend this report solely for the information and use of the audit committee, management, and Board of Education. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

April 14, 2009



Mary Taylor, CPA
Auditor of State

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
MAY 19, 2009