



Dave Yost • Auditor of State



**FORT LORAMIE LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fort Loramie Local School District, Shelby County, Ohio (the School District), as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fort Loramie Local School District, Shelby County, Ohio, as of June 30, 2014 and 2013, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

Ohio Administrative Code § 117-2-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Other Matters**

*Supplemental and Other Information*

We audited to opine on the School District's financial statements that collectively comprise its basic financial statements.

*Management's Discussion & Analysis* includes tables of net position, changes in net position, governmental activities and outstanding debt. This information provides additional analysis and is not a required part of the basic financial statements.

These tables are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2014, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 18, 2014

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**FORT LORAMIE LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED**

This discussion and analysis of the Fort Loramie Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014, within the limitations of the School District's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

**Using the Basic Financial Statements**

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.

**Report Components**

The statement of net position and the statement of activities provide information about the cash activities of the School District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the School District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. 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. Under the School District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

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.

**Reporting the School District as a Whole**

*Statement of Net Position and the Statement of Activities*

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2014, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental activities of the School District at fiscal year-end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

**FORT LORAMIE LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)**

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other non-financial factors as well such as 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 position and the statement of activities, the School District reports governmental activities. Governmental activities are where the School District's basic services are reported, including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The School District has no business-type activities.

**Reporting the School District's Most Significant Funds**

*Fund Financial Statements*

Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. The School District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the School District are split into two categories: governmental and fiduciary.

**Governmental Funds** - Most of the School District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the School District's governmental operations and the basic services it provides.

Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the School District's programs. The School District's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The School District's major governmental funds are the General Fund and Bond Retirement Debt Service Fund.

**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 of 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 position for fiscal year 2014 compared to fiscal year 2013 on a cash basis:

**(Table 1)  
Net Position**

	<b>Governmental Activities</b>	
	<b>2013</b>	<b>2014</b>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$4,700,642	\$5,389,701
<b>Net Position</b>		
Restricted	\$1,468,214	\$1,495,121
Unrestricted	3,232,428	3,894,580
Total Net Position	<u>\$4,700,642</u>	<u>\$5,389,701</u>

**FORT LORAMIE LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)**

Net position of governmental activities increased \$689,059 during fiscal year 2014. This followed an increase of \$82,485 for fiscal year 2013. Unrestricted net position increased \$662,152 as a result of general operating receipts exceeding disbursements.

Table 2 reflects the changes in net position for fiscal year 2014 and fiscal year 2013.

**(Table 2)  
Changes in Net Position**

	<b>Governmental Activities 2013</b>	<b>Governmental Activities 2014</b>
<b>Receipts:</b>		
<b>Program Receipts:</b>		
Charges for Services	\$609,742	\$623,622
Operating Grants and Contributions	584,914	368,871
<b>Total Program Receipts</b>	<b>1,194,656</b>	<b>992,493</b>
<b>General Receipts:</b>		
Property Taxes	2,520,729	2,541,118
Income Taxes	1,570,960	1,812,324
Grants and Entitlements Not Restricted to Specific Programs	3,640,245	4,091,973
Notes Issued	890,000	715,000
All Other Categories	70,666	86,591
<b>Total General Receipts</b>	<b>8,692,600</b>	<b>9,247,006</b>
<b>Total Receipts</b>	<b>9,887,256</b>	<b>10,239,499</b>
<b>Disbursements:</b>		
Instruction	4,303,955	4,440,411
<b>Support Services:</b>		
Pupils and Instructional Staff	766,912	716,834
Board of Education, Administration, Fiscal and Business	791,275	850,218
Operation and Maintenance of Plant	968,248	702,806
Pupil Transportation	328,685	340,798
Central	64,229	158,530
Operation of Non-Instructional Services	301,819	305,789
Extracurricular Activities	448,239	431,903
Capital Outlay	6,114	
Debt Service	1,825,295	1,603,151
<b>Total Disbursements</b>	<b>9,804,771</b>	<b>9,550,440</b>
Increase (Decrease) in Net Position	82,485	689,059
Net Position, Beginning of Year	4,618,157	4,700,642
<b>Net Position, End of Year</b>	<b>\$4,700,642</b>	<b>\$5,389,701</b>

Income tax receipts increased \$241,364, or 15% as a result of a more robust economy. Grants and entitlements not restricted to specific programs increased \$451,728 for fiscal year 2014 or 12%. State foundation monies along with approximately \$25,700 in additional casino revenue contributed to the increase.

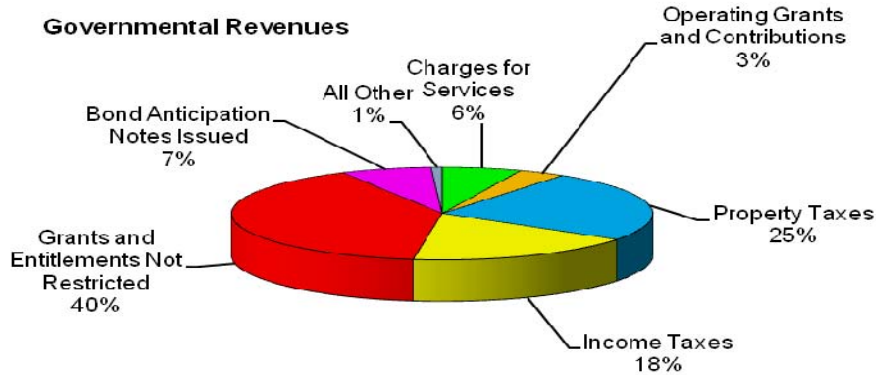
Disbursements decreased as required debt payments decreased \$222,144 or 12%.

**FORT LORAMIE LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)**

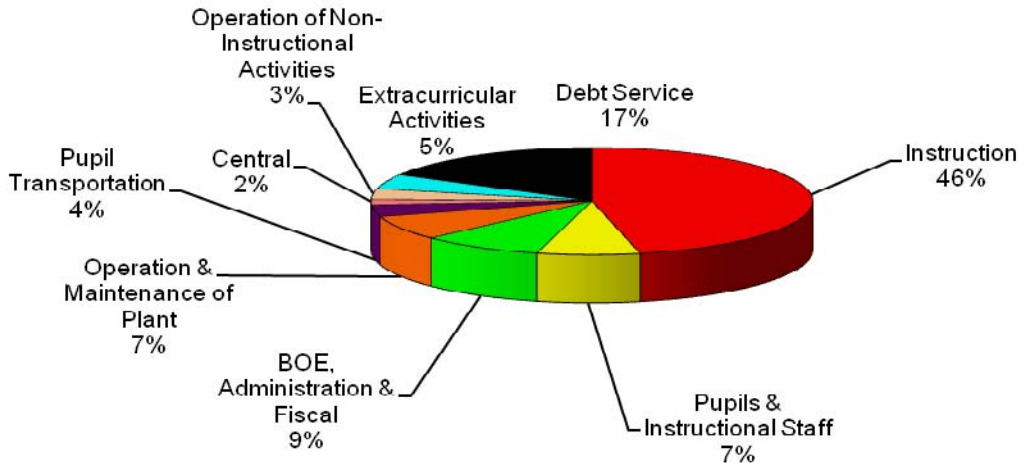
**Governmental Activities**

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for the School District Operations. For fiscal year 2014, property and income taxes make up 43% of the School District's receipts. Grants and entitlements not restricted consists largely of state foundation monies.



Instruction comprises 46% of the School District's disbursements while support services typically make up 29% of disbursements.

**Governmental Expenses**



If you look at the statement of activities on page 12, you will see that the first column lists the major services provided by the School District. The next column identifies the costs of providing these services.

The next three columns of the statement entitled program cash receipts identify amounts paid by people who are directly charged for the service and grants received by the School District that must be used to provide a specific service. The net receipt (disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**FORT LORAMIE LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)**

**(Table 3)  
Governmental Activities**

	<b>Total Cost of Services 2013</b>	<b>Net Cost of Services 2013</b>	<b>Total Cost of Services 2014</b>	<b>Net Cost of Services 2014</b>
Instruction	\$4,303,955	(\$3,857,903)	\$4,440,411	(\$4,134,445)
<b>Support Services:</b>				
Pupils and Instructional Staff	766,912	(742,161)	716,834	(515,275)
Board of Education, Administration, Fiscal and Business	791,275	(791,275)	850,218	(849,462)
Operation and Maintenance of Plant	968,248	(924,014)	702,806	(667,120)
Pupil Transportation	328,685	(163,205)	340,798	(339,104)
Central	64,229	(64,229)	158,530	(154,340)
Operation of Non-Instructional Services	301,819	(17,240)	305,789	4,645
Extracurricular Activities	448,239	(218,679)	431,903	(299,695)
Capital Outlay	6,114	(6,114)		
Debt Service	1,825,295	(1,825,295)	1,603,151	(1,603,151)
Total Disbursements	<u>\$9,804,771</u>	<u>(\$8,610,115)</u>	<u>\$9,550,440</u>	<u>(\$8,557,947)</u>

The dependence upon state foundation and property and income tax receipts is apparent from the large amounts for the net cost of services. Operation of non-instructional services has a positive net cost of service in 2014. This represents the food service program.

**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 Bond Retirement Debt Service Fund.

The fund balance of the General Fund increased \$662,152 during fiscal year 2014. This was primarily the result of increases to income tax and state foundation revenues. Expenditures for the General Fund remained consistent with prior years.

The fund balance of Bond Retirement Debt Service Fund increased \$49,478. Property taxes collected for the debt payments were sufficient to cover the annual debt service requirements.

**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, the final budget basis revenue estimate was \$7,220,116, which was the same as the original. Actual revenues for income taxes and intergovernmental revenues were higher than anticipated as explained above.

During fiscal year 2014, the School District closely monitored expenditures so that expenditures were \$214,840 less than appropriations.

**FORT LORAMIE LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)**

**Capital Assets and Debt Administration**

Capital Assets

The School District does not currently report its capital assets and infrastructure; however, it tracks its capital assets for insurance purposes.

**Debt**

At June 30, 2014, the School District had \$9,330,997 in debt outstanding.

**Table 5  
Outstanding Debt**

	<b>Amount Outstanding 6/30/2013</b>	<b>Amount Outstanding 6/30/2014</b>	<b>Amount Due in One Year</b>
<b>Governmental Activities</b>			
2006 School Facilities Bond	\$4,014,998	\$3,764,998	\$148,705
2007 Classroom Facilities Bond	4,945,999	4,850,999	25,931
Certificate of Participation Notes	890,000	715,000	315,000
Total Governmental Activities			
Long-Term Liabilities	<u>\$9,850,997</u>	<u>\$9,330,997</u>	<u>\$489,636</u>

For more information on the School District's debt, see Note 10 of the Basic Financial Statements.

**Current Issues**

On October 21, 2014, the School District board approved the reissuing of the certificates of participation notes in the amount of \$315,000. The notes have an interest rate of 1.25% and mature November 13, 2015.

In May 2014, the voters of the School District renewed the five year 1.5% income tax levy that was set to expire December 31, 2014. This generates approximately \$1,500,000 per year. The equivalent property tax millage that would be needed to raise this much income would be 16.23 mills.

The School District completed negotiations with its bargaining units in June 2013 for three years. The base salary for teachers for fiscal year 2014 remained unchanged, but the experience step frozen in fiscal year 2012 was restored. The base salary will increase 1.95 percent in each of fiscal year 2015 and 2016. Base wages for non-teaching employees will increase 2 percent in fiscal year 2014 and 1.95 percent in each of fiscal years 2015 and 2016. Employees in both units will be required to contribute 8 percent of their health insurance premiums for the term of the contract.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Danyel Spillers, 575 Greenback Road, PO Box 26, Fort Loramie, Ohio 45845.

**FORT LORAMIE LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2014**

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$5,389,701</u></u>
<b>Net Position:</b>	
<b>Restricted for:</b>	
Capital Projects	99,995
Debt Service	1,035,588
Other Purposes	359,538
Unrestricted	<u>3,894,580</u>
Total Net Position	<u><u>\$5,389,701</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, 2014**

	<u>Program Cash Receipts</u>		<u>Net (Disbursements) Receipts and Changes in Net Position</u>	
	<u>Cash Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
			<u>Total Governmental Activities</u>	
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$3,586,285	\$121,010	\$22,720	(\$3,442,555)
Special	724,362		162,236	(562,126)
Other	129,764			(129,764)
<b>Support Services:</b>				
Pupil	473,469	84,823	90,446	(298,200)
Instructional Staff	243,365	6,372	19,918	(217,075)
Board of Education	20,067			(20,067)
Administration	557,451			(557,451)
Fiscal	271,956	756		(271,200)
Business	744			(744)
Operation and Maintenance of Plant	702,806	35,686		(667,120)
Pupil Transportation	340,798	1,694		(339,104)
Central	158,530	590	3,600	(154,340)
Operation of Non-Instructional Services	305,789	255,045	55,389	4,645
Extracurricular Activities	431,903	117,646	14,562	(299,695)
Principal Retirement	1,235,000			(1,235,000)
Interest and Fiscal Charges	359,935			(359,935)
Issuance Costs	8,216			(8,216)
Total Governmental Activities	<u>\$9,550,440</u>	<u>\$623,622</u>	<u>\$368,871</u>	<u>(8,557,947)</u>

**General Receipts:**

**Property Taxes Levied for:**

General Purposes	1,702,394
Capital Maintenance	37,026
Debt Service	660,999
Capital Projects	140,699
Income Taxes Levied for General Purposes	1,812,324
Grants and Entitlements not Restricted to Specific Programs	4,091,973
Bond Anticipation Notes Issued	715,000
Interest	31,039
Miscellaneous	55,552
Total General Receipts	<u>9,247,006</u>
Change in Net Position	689,059
Net Position Beginning of Year	<u>4,700,642</u>
Net Position End of Year	<u>\$5,389,701</u>

See accompanying notes to the basic financial statements.



**FORT LORAMIE LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$3,894,580	\$1,035,588	\$459,533	\$5,389,701
<b>Fund Balances:</b>				
Restricted		1,035,588	459,533	1,495,121
Assigned	297,142			297,142
Unassigned	3,597,438			3,597,438
Total Fund Balances	<u>\$3,894,580</u>	<u>\$1,035,588</u>	<u>\$459,533</u>	<u>\$5,389,701</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, 2014**

	<b>General</b>	<b>Bond Retirement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Receipts:</b>				
Property Taxes	\$1,702,394	\$660,999	\$177,725	\$2,541,118
Income Taxes	1,812,324			1,812,324
Intergovernmental	3,951,568	98,597	396,116	4,446,281
Interest	30,035		1,005	31,040
Tuition and Fees	119,325		31	119,356
Rent	6,827			6,827
Extracurricular Activities	87,416		114,074	201,490
Contributions and Donations	12,570		5,742	18,312
Charges for Services	3,338		265,031	268,369
Miscellaneous	73,546		5,816	79,362
Total Receipts	<u>7,799,343</u>	<u>759,596</u>	<u>965,540</u>	<u>9,524,479</u>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	3,563,563		22,722	3,586,285
Special	562,697		161,665	724,362
Other	129,764			129,764
<b>Support Services:</b>				
Pupil	376,038		97,431	473,469
Instructional Staff	224,191		19,174	243,365
Board of Education	20,067			20,067
Administration	557,451			557,451
Fiscal	250,597	16,277	5,082	271,956
Business	744			744
Operation and Maintenance of Plant	633,215		69,591	702,806
Pupil Transportation	340,798			340,798
Central	154,930		3,600	158,530
Operation of Non-Instructional Services			305,789	305,789
Extracurricular Activities	289,555		142,348	431,903
<b>Debt Service:</b>				
Principal Retirement	25,000	345,000	865,000	1,235,000
Interest and Fiscal Charges		348,841	11,094	359,935
Issuance Costs			8,216	8,216
Total Disbursements	<u>7,128,610</u>	<u>710,118</u>	<u>1,711,712</u>	<u>9,550,440</u>
Excess of Revenues Under Expenditures				
Excess of Receipts Over (Under) Disbursements	<u>670,733</u>	<u>49,478</u>	<u>(746,172)</u>	<u>(25,961)</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Assets	20			20
Other Notes Issued			715,000	715,000
Advance In	15,417		15,417	30,834
Advance Out	(15,417)		(15,417)	(30,834)
Transfers In			8,601	8,601
Transfers Out	(8,601)			(8,601)
Total Other Financing Sources (Uses)	<u>(8,581)</u>		<u>723,601</u>	<u>715,020</u>
Net Change in Fund Balances	662,152	49,478	(22,571)	689,059
Fund Balances Beginning of Year	<u>3,232,428</u>	<u>986,110</u>	<u>482,104</u>	<u>4,700,642</u>
Fund Balances End of Year	<u>\$3,894,580</u>	<u>\$1,035,588</u>	<u>\$459,533</u>	<u>\$5,389,701</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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Receipts:</b>				
Property Taxes	\$1,735,000	\$1,735,000	\$1,702,394	(\$32,606)
Income Taxes	1,594,500	1,594,500	1,812,324	217,824
Intergovernmental	3,716,106	3,716,106	3,951,568	235,462
Interest	35,450	35,450	30,035	(5,415)
Tuition and Fees	100,900	100,900	116,635	15,735
Contributions and Donations	1,400	1,400	3,489	2,089
Rent	5,960	5,960	6,827	867
Miscellaneous	30,800	30,800	23,919	(6,881)
<b>Total Receipts</b>	<u>7,220,116</u>	<u>7,220,116</u>	<u>7,647,191</u>	<u>427,075</u>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	3,560,938	3,607,272	3,588,626	18,646
Special	631,431	651,757	570,048	81,709
Other	108,000	138,000	129,764	8,236
<b>Support Services:</b>				
Pupils	300,139	305,774	299,864	5,910
Instructional Staff	238,743	245,850	224,708	21,142
Board of Education	21,018	26,687	23,300	3,387
Administration	566,967	571,355	563,394	7,961
Fiscal	258,686	259,190	255,940	3,250
Business	810	810	744	66
Operation and Maintenance of Plant	648,417	710,034	689,734	20,300
Pupil Transportation	358,061	478,506	447,401	31,105
Central	153,453	161,763	156,447	5,316
Extracurricular Activities	309,262	311,430	303,618	7,812
<b>Debt Service:</b>				
Principal Retirement	25,000	25,000	25,000	
<b>Total Disbursements</b>	<u>7,180,925</u>	<u>7,493,428</u>	<u>7,278,588</u>	<u>214,840</u>
Excess of Receipts Over (Under) Disbursements	39,191	(273,312)	368,603	641,915
<b>Other Financing Source (Uses):</b>				
Refund of Prior Year Expenditure	30,200	30,200	45,217	15,017
Proceeds from Sale of Capital Assets			20	20
Advances In			15,417	15,417
Refund of Prior Year Receipts	(100)	(100)		100
Advances Out	(15,420)	(15,420)	(15,417)	3
Transfers Out	(31,500)	(31,500)	(8,601)	22,899
<b>Total Other Financing Sources (Uses)</b>	<u>(16,820)</u>	<u>(16,820)</u>	<u>36,636</u>	<u>53,456</u>
Net Change in Fund Balances	22,371	(290,132)	405,239	695,371
Fund Balance at Beginning of Year	2,992,839	2,992,839	2,992,839	
Prior Year Encumbrances Appropriated	200,701	200,701	200,701	
<b>Fund Balance at End of Year</b>	<u>\$3,215,911</u>	<u>\$2,903,408</u>	<u>\$3,598,779</u>	<u>\$695,371</u>

See Accompanying Notes to the Basic Financial Statements.

**FORT LORAMIE LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2014**

	<b>Private Purpose Trust</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$4,171	\$42,775
<b>Liabilities:</b>		
Due to Students		\$42,775
<b>Net Position:</b>		
Restricted for Students		
Held in Trust for Scholarships	4,171	
Total Net Position	\$4,171	

*See accompanying notes to the basic financial statements.*

**FORT LORAMIE LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**STATEMENT OF CHANGE IN FIDUCIARY NET POSITION  
PRIVATE PURPOSE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Private Purpose Trust</u>
<b>Additions:</b>	
Gifts and Contributions	\$1,000
Other Revenue	770
Total Additions	<u>1,770</u>
<b>Deductions:</b>	
Scholarships	<u>2,189</u>
Total Deductions	<u>2,189</u>
Change in Net Position	(419)
Net Position - Beginning of Year	<u>4,590</u>
Net Position - End of Year	<u><u>\$4,171</u></u>

*See accompanying notes to the basic financial statements.*

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**FORT LORAMIE LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**1. REPORTING ENTITY**

Fort Loramie Local School District (the "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 and provides educational services as authorized by State and federal agencies. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at-large for staggered four year terms.

The School District is located in Shelby and Darke Counties. The School District is staffed by 46 non-certificated employees, 53 certificated full-time teaching personnel who provide services to 909 students and other community members. The School District currently operates two instructional/support buildings.

The reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading.

**A. Primary Government**

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.

**B. Component Units**

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. The School District is also financially accountable for any 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. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in amount to the School District. The School District does not have any component units.

The School District participates in five jointly governed organizations and three insurance purchasing pools. These organizations are discussed in Note 13 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

- Western Ohio Computer Organization
- Southwestern Ohio Educational Purchasing Council
- Upper Valley Career Center
- Shelby County Local Professional Development Committee
- Southwestern Ohio Instructional Technology Association

**FORT LORAMIE LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**1. REPORTING ENTITY (Continued)**

Insurance Purchasing Pools:

Ohio School Plan

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

Shelby County Schools Consortium

The School District's management believes these financial statements present all activities for which the School District is financially accountable.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash 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 modified cash basis of accounting. 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 position 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 position 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 statements usually distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. However, the School District does not have any business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions.

The statement of net position 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 government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support 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.



**FORT LORAMIE LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 as either governmental or 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 following are the School District's major governmental funds:

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

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

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's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature. The School District's agency funds account for those student activity programs which have student participation in the activities and have students involved in the management of the program and for employee withholdings. This fund typically includes those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

**FORT LORAMIE LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Accounting**

The School District's financial statements are prepared using the cash basis of accounting. 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 this 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 these financial statements. If the School District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The 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 cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of budgetary control is at the fund level for all funds, except the General Fund. The legal level of control for this fund is at the function level within the fund. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts 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 appropriation 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 appropriation 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 and invested. 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".

**FORT LORAMIE LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 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.

During fiscal year 2014, the School District invested in certificates of deposit, STAR Ohio, Federal Home Loan Bank Bonds and the Fifth Third Institutional Government Money Market Fund. Investments are reported at market value. 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, 2014.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2014 was \$30,035, which included \$7,040 assigned from other School District funds.

**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, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent amounts required by State statute to be set aside for the purchase of buses.

**G. Inventory and Prepaid Items**

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**H. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

**I. Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's cash basis of accounting.

**J. Employer Contributions to Cost-Sharing Pension Plans**

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**FORT LORAMIE LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**K. Long-Term Obligations**

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**L. Net position**

Net position is 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 position restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available. The School District did not have net position restricted by enabling legislation at June 30, 2014.

**M. Fund Balance**

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

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

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

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

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

**FORT LORAMIE LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

**N. Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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 cash disbursements to the funds that initially paid for them are not presented in the financial statements.

**O. Estimates**

The cash basis of accounting used by the School District requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

**3. BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and cash basis is:

- 1) Outstanding year-end encumbrances are treated as cash disbursements (budgetary) rather than as a reservation of fund balance (modified cash basis) and
- 2) Perspective differences resulting from differences in fund structure.

Cash Basis	\$662,152
Encumbrances	(253,666)
Perspective Differences	(3,247)
Budgetary Basis	<u>\$405,239</u>

**FORT LORAMIE LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**4. DEPOSITS AND INVESTMENTS**

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

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

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

Interim deposits are deposits of interim 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 can 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 provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**FORT LORAMIE LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

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

**A. Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover its deposits or collateral securities that are in possession of an outside party. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

At fiscal year-end, the carrying amount of the School District's deposits was \$4,419,227 and the bank balance was \$4,576,662. \$963,000 of the School District's deposits was insured by federal depository insurance. As of June 30, 2014, \$3,613,662 of the School District's bank balance of \$4,576,662 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

**B. Investments**

The School District had the following investments at fiscal year-end:

<u>Type of Investment</u>	<u>Maturity Date</u>	<u>Fair Value</u>
Fifth Third Institutional Government Money Market Fund	51 days	\$1,767
STAR Ohio	54.4 days	917,371
Federal Home Loan Bank Bond	8/8/2016	98,282
		<u>\$1,017,420</u>

**Interest Rate Risk** - The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's investment policy does not further limit its investment choices.

**Credit Risk** – State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The School District's investment policy does not further limit its investment choices. The investment in Fifth Third Institutional Government Money Market Fund is rated AAAM by Standard & Poor's and the Federal Home Loan Bank Bond is rated AA+ by Standard & Poor's.

**FORT LORAMIE LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

**Concentration of Credit Risk** - The School District places no limits on the amount the School District may invest in any one issuer. More than 5 percent of the School District's investments are in the following:

<u>Type of Investment</u>	<u>Percentage</u>
STAR Ohio	90.00%
Federal Home Loan Bank Bond	10.00%

**Custodial Credit Risk** – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The federal agency securities are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name. The School District has no investment policy dealing with custodial credit risk beyond the requirements of State statute which prohibit payment for investments prior to the delivery of the securities representing the investments to the Treasurer or qualified trustee.

**5. PROPERTY TAXES**

Property taxes include amounts levied against all real property and public utility property located in the School District.

Real property tax receipts received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

Public utilities subject to taxation on their tangible personal property include electric, rural electric, natural gas, pipeline, water works, water transportation, heating and telegraph companies. The tax rates vary according to the type of public utility. Public utility taxes are levied on all tangible personal property owned and located in Ohio on December 31 of the preceding year.

Real property and public utility 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.

Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Shelby and Darke Counties. The 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, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2014 taxes were collected are:



**FORT LORAMIE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**5. PROPERTY TAXES (Continued)**

	<b>2013 Second- Half Collections</b>		<b>2014 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$90,318,410	97.5%	\$91,376,970	97.5%
Public Utility Personal	2,260,220	2.5%	2,270,770	2.5%
Total	<u>\$92,578,630</u>	<u>100.0%</u>	<u>\$93,647,740</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$47.50		\$47.50	

**6. INCOME TAXES**

The School District levies a voted tax 1.5 percent for general operations on the income of residents and of estates. In May 2010, the School District residents passed a levy for 1.5 percent, effective January 1, 2010, through December 31, 2014. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds.

**7. RISK MANAGEMENT**

**A. Property and Liability**

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 2014, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool (See Note 13).

The School District enters into an individual agreement with the plan for insurance coverage and pays an annual premium to the Plan based on the types and limits of coverage and deductibles selected by the participant.

Insurance coverage provided includes the following:

Building and Contents-replacement cost (\$1,000 deductible)	\$33,172,732
Automobile Liability (\$1000 deductible)	3,000,000
Uninsured/Underinsured Motorists (\$1000 deductible)	1,000,000
Medical Payments per person	5,000
General Liability	
Per Occurrence	3,000,000
Annual Aggregate	5,000,000
Educational Legal Liability	
Per Occurrence	3,000,000
Annual Aggregate	5,000,000
Violence Coverage	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant change in insurance coverage from the last fiscal year.

**FORT LORAMIE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**7. RISK MANAGEMENT (Continued)**

**B. Workers' Compensation**

The School District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 13). The intent of the GRP 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 GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement provides administrative, cost control and actuarial services to the GRP.

**8. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

**Plan Description** - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension 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 publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rating among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and Health Care Fund) of the System. For fiscal year 2014, the allocation to pension and death benefits is 13.10 percent of annual covered salary. The remaining .9 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$114,515, \$112,519, and \$105,203, respectively; 81.63 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**FORT LORAMIE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

**B. State Teachers Retirement System of Ohio**

**Plan Description** - The School District participates in 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 STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or 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 DC Plan 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 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, 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 DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan 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 DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan 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, 2014, plan members were required to contribute 11 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 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 contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012 were \$433,498, \$404,923, \$399,454, respectively; 83.01 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2014, five members of the Board of Education have elected Social Security. The School District's liability is 6.2 percent of wages paid.

**FORT LORAMIE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**9. POST-EMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

**Plan Description** – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan.

**Medicare Part B Plan** – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999, Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month, depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$6,644, \$6,356, and \$6,213, and respectively; 81.63 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**Health Care Plan** – ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation is .14 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund.

The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$8,028, \$3,891, and \$4,556, respectively; 81.63 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**FORT LORAMIE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**9. POST-EMPLOYMENT BENEFITS (Continued)**

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on the SERS' at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

**B. State Teachers Retirement System of Ohio**

**Plan Description** – The School District contributes to the cost sharing multiple employer defined benefit Health 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 the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

**Funding Policy** – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$33,346, \$31,814, and \$31,393, respectively; 83.01 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**10. DEBT**

The changes in the School District's long-term obligations during fiscal year 2014 were as follows:

	<b>Amount Outstanding 6/30/2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>Amount Outstanding 6/30/2014</b>	<b>Amount Due in One Year</b>
<b>Governmental Activities:</b>					
2006 School Facilities Issue					
Serial and Term Bonds 4.00-4.25%	\$ 3,725,000		(\$250,000)	\$3,475,000	
Capital Appreciation Bonds					
Original Issue	289,998			289,998	\$148,705
2007 Classroom Facilities Bonds					
Serial and Term Bonds 4.00-4.25%	4,880,000		(95,000)	4,785,000	
Capital Appreciation Bonds					
Original Issue	65,999			65,999	25,931
Subtotal	8,960,997		(345,000)	8,615,997	174,636
Certificates of Participation Notes	890,000	\$715,000	(890,000)	715,000	315,000
Long-Term Liabilities	<u>\$9,850,997</u>	<u>\$715,000</u>	<u>(\$1,235,000)</u>	<u>\$9,330,997</u>	<u>\$489,636</u>

**FORT LORAMIE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**10. DEBT (Continued)**

**A. 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 original bonds issue included serial, term, and capital appreciation bonds in the amount of \$3,630,000, \$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. The refunded general obligation bonds were fully retired on December 1, 2008.

The term bonds due December 1, 2026, are subject to mandatory sinking fund redemption as follows:

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

The Current Interest Bonds maturing after December 1, 2016, are subject to optional redemptions, 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% of the face of the Bonds.

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

**B. 2007 Classroom Facilities Bonds**

On March 7, 2007, the Board of Education issued \$5,425,999 in general obligation bonds to construct a new elementary school and renovate the existing junior high/high school under the State of Ohio Classroom Facilities Assistance Program. The original bonds 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 term bonds due December 1, 2019, are subject to mandatory sinking fund redemption as follows:

<u>Year</u>	<u>Amount to be Redeemed</u>
2017	\$100,000
2018	100,000

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

**FORT LORAMIE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**10. DEBT (Continued)**

The term bonds due December 1, 2021, are subject to mandatory sinking fund redemption as follows:

<u>Year</u>	<u>Amount to be Redeemed</u>
2020	\$110,000

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

The term bonds due December 1, 2023, are subject to mandatory sinking fund redemption as follows:

<u>Year</u>	<u>Amount to be Redeemed</u>
2022	\$120,000

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

The term bonds due December 1, 2025, are subject to mandatory sinking fund redemption as follows:

<u>Year</u>	<u>Amount to be Redeemed</u>
2024	\$130,000

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

The term bonds due December 1, 2027, are subject to mandatory sinking fund redemption as follows:

<u>Year</u>	<u>Amount to be Redeemed</u>
2026	\$315,000

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

The term bonds due December 1, 2029, are subject to mandatory sinking fund redemption as follows:

<u>Year</u>	<u>Amount to be Redeemed</u>
2028	\$340,000

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

**FORT LORAMIE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**10. DEBT (Continued)**

The term bonds due December 1, 2035, are subject to mandatory sinking fund redemption as follows:

<u>Year</u>	<u>Amount to be Redeemed</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 after December 1, 2018, are subject to optional redemptions, 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% of the face of the Bonds.

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

**C. 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 annual lease payments. Proceeds from the issuance of the Certificates were used to construct the new building.

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 transfer 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 the 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 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 debt margin was (\$190,077), the energy conservation debt margin was \$810,533 and the un-voted debt margin was \$90,059 at June 30, 2014.

Principal and interest requirements to retire the general obligation bonds and loans outstanding at June 30, 2014, are as follows:



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**10. DEBT (Continued)**

Fiscal Year Ending June 30,	General Obligation Bonds					
	Serial and Term		Capital Appreciation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015		\$341,940	\$174,636	\$190,364	\$174,636	\$532,304
2016		341,940	163,071	206,929	163,071	548,869
2017	\$270,000	336,540	18,290	81,710	288,290	418,250
2018	380,000	323,540			380,000	323,540
2019	390,000	308,140			390,000	308,140
2020-2024	2,220,000	1,282,849			2,220,000	1,282,849
2025-2029	2,260,000	791,872			2,260,000	791,872
2030-2034	1,935,000	383,447			1,935,000	383,447
2035-2037	805,000	32,619			805,000	32,619
Total	<u>\$8,260,000</u>	<u>\$4,142,887</u>	<u>\$355,997</u>	<u>\$479,003</u>	<u>\$8,615,997</u>	<u>\$4,621,890</u>

**11. FUND BALANCE**

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

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

Fund Balance	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Restricted for:</b>				
Food Service Operations			\$22,501	\$22,501
Classroom Maintenance			283,937	283,937
Athletics			51,299	51,299
Bus Purchases				
Capital Improvements			99,995	99,995
Debt Service		\$1,035,588		1,035,588
Race to the Top Grant			961	961
IDEA Title IV-B Grant			337	337
Title I Grant			420	420
Title II-A Grant			83	83
Total Restricted		<u>1,035,588</u>	<u>459,533</u>	<u>1,495,121</u>
<b>Assigned for:</b>				
Encumbrances	\$253,662			253,662
Educational Activities	2,499			2,499
Uniform School Supplies	1,345			1,345
Public School Support	39,636			39,636
Total Assigned	<u>297,142</u>			<u>297,142</u>
Unassigned	<u>3,597,438</u>			<u>3,597,438</u>
Total Fund Balance	<u>\$3,894,580</u>	<u>\$1,035,588</u>	<u>\$459,533</u>	<u>\$5,389,701</u>

**FORT LORAMIE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**12. SET-ASIDE REQUIREMENTS**

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 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 capital improvements during fiscal year 2014.

	<b>Capital Acquisitions</b>
Set-aside Reserve Balance as of June 30, 2013	
Current Year Set-aside Requirement	\$142,427
Current Year Offsets	(142,427)
Set-aside Balances	\$0
Amount of Set-aside Carried Forward to Future Fiscal Years	\$0

**13. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS**

**A. Jointly Governed Organizations**

**Western Ohio Computer Organization** - The Fort Loramie Local School District is a participant in the Western Ohio Computer Organization (WOCO) which is a computer consortium. The Western Ohio Computer Organization is one of the 23 Information Technology Center's (ITC) in the state of Ohio, which were formed in the late 70's, early 80's. These "ITC's" were originally charged to provide computer services to the member school district's fiscal offices, forming what is known today as the OECN, The Ohio Educational Computer Network. WOCO began its operations in 1980 providing computer services to 29 members school districts located in the five county area of Shelby, Auglaize, Hardin, Logan and Champaign. Today WOCO provides technical services to 34 public school districts, 5 public charter schools and 4 non-public districts.

The governing board of MDECA consists of fourteen members who consist of the Superintendent of the Fiscal Agent, two Superintendents from each county (Auglaize, Champaign, Hardin, Logan and Shelby), one representative from the city schools and one representative each from the treasurer and student services users. The School District paid WOCO \$57,401 for services provided during the fiscal year. Financial information can be obtained from Louis Ivey, who serves as Director, at 129 E. Court Street, Sidney, Ohio 45365.

**Southwestern Ohio Educational Purchasing Council** -The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 128 school districts in 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**13. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS Continued)**

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

**Upper Valley Career Center** – The Upper Valley Career Center 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 schools' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Upper Valley Career Center, 8811 Career Drive, Piqua, Ohio 45356.

**Shelby County Local Professional Development Committee** – The School District is a participant in the Shelby County Local Professional Development Committee (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 two year terms. The degree of control exercised by a 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.

**Southwestern Ohio Instructional Technology Association** - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-three representatives of SOITA member schools or institutions. Twenty-one representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Brown, Butler, Champaign, Clark, Clermont, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2014, the School District paid \$708 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Larry Pogue, who serves as Executive Director, at 150 East Sixth Street, Franklin, Ohio 45005.

**FORT LORAMIE LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**13. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS Continued)**

**B. Insurance Purchasing Pools**

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

**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 a 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.

**Shelby County Schools Consortium** - The Shelby County Schools Consortium is an insurance 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 school district pays monthly premiums to the provider, currently Anthem Blue Cross/Blue Shield for health and dental insurance, and Sun Life Financial for life insurance. The Consortium is governed by an administrative committee consisting of the superintendent from each participating district and the service center. The degree of control exercised by any participating school district is limited to its representation on the committee. Financial information can be obtained from Mike Elsass, who serves as consultant to the group, Elsass/Hecker CLU's, 131 North Ludlow St., Dayton, Ohio 45402.

**14. INTERFUND**

During fiscal year 2014, the General Fund transferred \$5,601 to the Permanent Improvement fund and \$3,000 to the Athletic Fund to provide support needed.

**FORT LORAMIE LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**15. CONTINGENT LIABILITIES**

**A. Grants**

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are 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, 2014.

**B. Litigation**

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

**16. CHANGES IN ACCOUNTING PRINCIPLE**

For fiscal year 2014, the School District has implemented Governmental Accounting Standard Board (GASB) *Statement No. 70, "Accounting and Financial Reporting for Non-exchange Financial Guarantees."* GASB *Statement No. 70* provides guidance for reporting financial guarantees that are non-exchange transactions extended or received by a state or local government. The implementation of this statement had no effect on the School District.

**17. PRIOR PERIOD ADJUSTMENT**

The beginning balance of the Schedule of Receipts, Disbursements, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual General Fund was restated from \$3,028,839 to \$2,992,839. For the basic financial statements several funds are combined with the General Fund in accordance with the guidelines of GASB 54. For fiscal year 2014, this statement includes only the General fund budget as approved by the Board of Education.

**18. SUBSEQUENT EVENT**

The School District assessed events occurring subsequent to June 30, 2014, to November 3, 2014, for potential recognition and disclosure in the financial statements.

On Oct 21, 2014, the School District board approved the reissuing of the certificates of participation notes in the amount of \$315,000. The notes have an interest rate of 1.25% and mature November 13, 2015.

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**FORT LORAMIE LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
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, 2013, 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 position and the statement of activities provide information about the cash activities of the whole School District.

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

**REPORTING THE SCHOOL DISTRICT AS A WHOLE**

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2013, within the limitations of cash basis accounting. The statement of net position 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, 2013  
UNAUDITED  
(Continued)**

In the statement of net position 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 Bond Retirement debt service 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 position for fiscal year 2013 and fiscal year 2012:

<b>Table 1</b>			
<b>Governmental Activities</b>			
<b>Net Position</b>			
	<b>2013</b>	<b>2012</b>	<b>Change</b>
<b>Assets:</b>			
Total Assets	\$4,700,642	\$4,618,157	\$82,485
<b>Net Position:</b>			
Restricted	\$1,468,214	\$1,395,716	\$72,498
Unrestricted	3,232,428	3,222,441	9,987
Total Net Position	\$4,700,642	\$4,618,157	\$82,485

Total assets and unrestricted net position did not changed significantly. Restricted net position increased from the accumulation of funds restricted for debt service and capital outlay.



**FORT LORAMIE LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED  
(Continued)**

Table 2 reflects the change in net assets for fiscal year 2013 and fiscal year 2012.

**Table 2  
Change in Net Position**

	<b>2013</b>	<b>2012</b>	<b>Change</b>
<b>Receipts:</b>			
<b>Program Receipts:</b>			
Charges for Services	\$609,742	\$646,604	(\$36,862)
Operating Grants, Contributions, and Interest	584,914	949,471	(364,557)
Total Program Receipts	<u>1,194,656</u>	<u>1,596,075</u>	<u>(401,419)</u>
<b>General Receipts:</b>			
Property Taxes	2,520,729	2,430,695	90,034
Income Taxes	1,570,960	1,533,343	37,617
Grants and Entitlements	3,640,245	3,305,960	334,285
Interest	28,749	12,645	16,104
Notes Issued	890,000	1,110,000	(220,000)
Miscellaneous	41,917	17,967	23,950
Total General Receipts	<u>8,692,600</u>	<u>8,410,610</u>	<u>281,990</u>
Total Receipts	<u>9,887,256</u>	<u>10,006,685</u>	<u>(119,429)</u>
<b>Disbursements:</b>			
<b>Instruction:</b>			
Regular	3,595,960	3,401,007	(194,953)
Special	707,995	523,847	(184,148)
<b>Support Services:</b>			
Pupils	617,258	654,332	37,074
Instructional Staff	149,654	407,966	258,312
Board of Education	20,067	18,380	(1,687)
Administration	526,289	520,377	(5,912)
Fiscal	244,177	237,963	(6,214)
Business	742	830	88
Operation and Maintenance of Plant	968,248	657,646	(310,602)
Pupil Transportation	328,685	274,991	(53,694)
Central	64,229	66,859	2,630
Non-instructional Services	301,819	321,978	20,159
Extracurricular Activities	448,239	414,534	(33,705)
Capital Outlay	6,114	12,623	6,509
Intergovernmental		77,172	77,172
<b>Debt Service:</b>			
Principal Retirement	1,435,000	1,525,000	90,000
Interest and Fiscal Charges	390,295	414,239	23,944
Total Disbursements	<u>9,804,771</u>	<u>9,529,744</u>	<u>(275,027)</u>
Increase in Net Position	82,485	476,941	(394,456)
Net Position at Beginning of Year	4,618,157	4,141,216	476,941
Net Position at End of Year	<u>\$4,700,642</u>	<u>\$4,618,157</u>	<u>\$82,485</u>

Total receipts did not change significantly. Charges for services decreased from a decrease in field trip receipts. Program revenues for operating grants, contributions, and interest decreased from the School District no longer receiving the Education Jobs grants. General receipts increased slightly.

**FORT LORAMIE LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED  
(Continued)**

The overall total disbursements increased slightly. Increases in salaries and insurance costs influenced increased costs for regular instruction. The School District implemented coding changes that resulted in increased costs for special instruction and decreased costs for instruction staff support services. Operating and maintenance of plant disbursements increased substantially from a House Bill 264 project involving the heating and air conditioning system. Intergovernmental disbursements incurred in fiscal year 2012 resulted from the refund of unspent moneys received in prior fiscal years for the OSFC building 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**

	<b>Total Cost Of Services</b>		<b>Net Cost Of Services</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Instruction:</b>				
Regular	\$3,595,960	\$3,401,007	\$3,386,931	\$3,058,599
Special	707,995	523,847	470,972	50,297
<b>Support Services:</b>				
Pupils	617,258	654,332	598,272	520,945
Instructional Staff	149,654	407,966	143,889	407,966
Board of Education	20,067	18,380	20,067	18,380
Administration	526,289	520,377	526,289	520,377
Fiscal	244,177	237,963	244,177	237,963
Business	742	830	742	830
Operation and Maintenance of Plant	968,248	657,646	924,014	633,350
Pupil Transportation	328,685	274,991	163,205	105,388
Central	64,229	66,859	64,229	66,859
Non-instructional Services	301,819	321,978	17,240	(15,964)
Extracurricular Activities	448,239	414,534	218,679	299,645
Capital Outlay	6,114	12,623	6,114	12,623
Intergovernmental		77,172		77,172
<b>Debt Service:</b>				
Principal Retirement	1,435,000	1,525,000	1,435,000	1,525,000
Interest and Fiscal Charges	390,295	414,239	390,295	414,239
<b>Total Disbursements</b>	<b>\$9,804,771</b>	<b>\$9,529,744</b>	<b>\$8,610,115</b>	<b>\$7,933,669</b>

The School District provided for 90 percent of total instruction costs with property taxes and unrestricted grants and entitlements in fiscal year 2013, which is greater than the prior fiscal year which can be attributed to the restructuring of account codes by the Ohio Department of Education. The most significant program receipts from restricted grants are associated with the special instruction program, along with non-instructional services. Non-instructional services were almost fully funded in fiscal year 2013 through charges for services and federal and state funds for providing meals to students.

**THE SCHOOL DISTRICT'S FUNDS**

The School District's governmental funds are accounted for using the cash basis of accounting. The School District's major governmental funds are the General Fund and the Bond Retirement debt service fund.

**FORT LORAMIE LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED  
(Continued)**

The School District realized a slight increase in fund balance in the General Fund. A significant increase in disbursements occurred from a project relating to the heating and air conditioning to the instructional facilities.

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

**GENERAL FUND BUDGETING HIGHLIGHTS**

The School District prepares an annual budget of revenues and expenditures for all funds of the School District for use by School District officials and department heads and prepares such other budgetary documents as are required by State statute, including the annual appropriations ordinance which is effective the first day of July. The School District's most significant budgeted fund is the General Fund. During the course of fiscal year 2013, the School District amended its General Fund budget as needed.

Changes from both the original budget to the final budget and from the final budget to actual receipts were not significant. The original appropriations increased 6 percent from fiscal year 2012 disbursements, including carryover encumbrance of \$83,604 for a school bus purchase in fiscal year 2013. Changes from both the original budget to the final budget and from the final budget to actual disbursements were not significant.

**CURRENT ISSUES**

On November 14, 2013, the School District repaid \$175,000 of the principal of Certificates of Participation notes and issued renewal notes in the amount of \$715,000 with an interest rate of 1.25 percent. It is anticipated that this debt will be retired by fiscal year 2018.

The School District's 1.5 percent income tax will expire on December 31, 2014. The Board of Education plans to submit the question of renewal of this tax to voters during calendar 2014.

The School District completed negotiations with its bargaining units in June 2013 for three years. The base salary for teachers for fiscal year 2014 remained unchanged, but the experience step frozen in fiscal year 2012 was restored. The base salary will increase 1.95 percent in each of fiscal years 2015 and 2016. Base wages for non-teaching employees will increase 2 percent in fiscal year 2014 and 1.95 percent in each of fiscal years 2015 and 2016. Employees in both units will be required to contribute 8 percent of their health insurance premiums for the term of the contract.

The School District's Food Service operation saw a 19 percent decrease in lunch participation in fiscal year 2013, as students rejected the federally mandated meal patterns. The Food Service special revenue fund experienced a loss in net position of \$27,761. The Food Service operation may require transfers from the General Fund to cover costs if this pattern continues.

**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 Danyel Spillers, 575 Greenback Road, PO Box 26, Fort Loramie, Ohio 45845.

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**FORT LORAMIE LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2013**

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$4,700,642</u></u>
<b>Net Position:</b>	
<b>Restricted for:</b>	
Debt Service	986,110
Capital Projects	126,597
Other Purposes	355,507
Unrestricted	<u>3,232,428</u>
Total Net Position	<u><u>\$4,700,642</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, 2013**

	Program Cash Receipts			Net (Disbursement) Receipt and Change in Net Position
	Cash Disbursements	Charges for Services	Operating Grants, Contributions, and Interest	Governmental Activities
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$3,595,960	\$133,120	\$75,909	(\$3,386,931)
Special	707,995	24,150	212,873	(470,972)
<b>Support Services:</b>				
Pupils	617,258	11,084	7,902	(598,272)
Instructional Staff	149,654	5,379	386	(143,889)
Board of Education	20,067			(20,067)
Administration	526,289			(526,289)
Fiscal	244,177			(244,177)
Business	742			(742)
Operation and Maintenance of Plant	968,248	19,253	24,981	(924,014)
Pupil Transportation	328,685	2,132	163,348	(163,205)
Central	64,229			(64,229)
Non-instructional Services	301,819	234,173	50,406	(17,240)
Extracurricular Activities	448,239	180,451	49,109	(218,679)
Capital Outlay	6,114			(6,114)
<b>Debt Service:</b>				
Principal Retirement	325,000			(325,000)
Current Refunding	1,110,000			(1,110,000)
Interest and Fiscal Charges	390,295			(390,295)
<b>Total Governmental Activities</b>	<b>\$9,804,771</b>	<b>\$609,742</b>	<b>\$584,914</b>	<b>(8,610,115)</b>
 <b>General Receipts</b>				
<b>Property Taxes Levied for:</b>				
General Purposes				1,688,901
OSFC Maintenance				36,726
Debt Service				655,544
Permanent Improvement				139,558
Income Taxes				1,570,960
Grants and Entitlements Not Restricted to Specific Programs				3,640,245
Interest				28,749
Notes Issued				890,000
Miscellaneous				41,917
<b>Total General Receipts</b>				<b>8,692,600</b>
 Change in Net Position				 82,485
 Net Position at Beginning of Year				 4,618,157
 Net Position at End of Year				 <b>\$4,700,642</b>

See accompanying notes to the basic financial statements.

**FORT LORAMIE LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**STATEMENT OF NET ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental</u>	<u>Total</u>
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$3,232,428	\$986,110	\$482,104	\$4,700,642
Total Assets	<u>3,232,428</u>	<u>986,110</u>	<u>482,104</u>	<u>4,700,642</u>
<b>Fund Balances:</b>				
Restricted		986,110	482,104	1,468,214
Assigned	114,452			114,452
Unassigned	3,117,976			3,117,976
Total Fund Balances	<u>\$3,232,428</u>	<u>\$986,110</u>	<u>\$482,104</u>	<u>\$4,700,642</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, 2013**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental</u>	<u>Total</u>
<b>Receipts:</b>				
Property Taxes	\$1,688,901	\$655,544	\$176,284	\$2,520,729
Income Taxes	1,570,960			1,570,960
Intergovernmental	3,686,911	97,092	373,719	4,157,722
Interest	28,160		1,290	29,450
Tuition and Fees	108,535		100	108,635
Charges for Services	5,658		234,301	239,959
Extracurricular Activities	84,870		122,624	207,494
Gifts and Donations	17,767		50,859	68,626
Miscellaneous	82,930	4,643	6,108	93,681
Total Receipts	<u>7,274,692</u>	<u>757,279</u>	<u>965,285</u>	<u>8,997,256</u>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	3,556,881		39,079	3,595,960
Special	590,178		117,817	707,995
<b>Support Services:</b>				
Pupils	512,882		104,376	617,258
Instructional Staff	126,809		22,845	149,654
Board of Education	20,067			20,067
Administration	526,289			526,289
Fiscal	222,907	16,221	5,049	244,177
Business	742			742
Operation and Maintenance of Plant	945,712		22,536	968,248
Pupil Transportation	298,685		30,000	328,685
Central	64,229			64,229
Non-instructional Services			301,819	301,819
Extracurricular Activities	282,948		165,291	448,239
Capital Outlay	6,114			6,114
<b>Debt Service:</b>				
Principal Retirement		325,000		325,000
Current Refunding			220,000	220,000
Interest and Fiscal Charges		362,240	28,055	390,295
Total Disbursements	<u>7,154,443</u>	<u>703,461</u>	<u>1,056,867</u>	<u>8,914,771</u>
Excess of Receipts Over Disbursements	<u>120,249</u>	<u>53,818</u>	<u>(91,582)</u>	<u>82,485</u>
<b>Other Financing Sources (Uses):</b>				
Notes Issued			890,000	890,000
Current Refunding			(890,000)	(890,000)
Advances In	941			941
Advances Out			(941)	(941)
Transfers In			111,203	111,203
Transfers Out	(111,203)			(111,203)
Total Other Financing Sources (Uses)	<u>(110,262)</u>		<u>110,262</u>	
Changes in Fund Balances	9,987	53,818	18,680	82,485
Fund Balances at Beginning of Year	<u>3,222,441</u>	<u>932,292</u>	<u>463,424</u>	<u>4,618,157</u>
Fund Balances at End of Year	<u>\$3,232,428</u>	<u>\$986,110</u>	<u>\$482,104</u>	<u>\$4,700,642</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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Over (Under)</b>
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
<b>Receipts:</b>				
Property Taxes	\$1,634,400	\$1,634,400	\$1,688,901	\$54,501
Income Taxes	1,556,300	1,556,300	1,570,960	14,660
Intergovernmental	3,599,550	3,599,550	3,686,911	87,361
Interest	12,100	12,100	28,160	16,060
Tuition and Fees	93,650	94,816	108,535	13,719
Charges for Services	3,300	3,388	5,658	2,270
Extracurricular Activities	87,905	85,094	84,870	(224)
Gifts and Donations	5,700	11,777	17,767	5,990
Miscellaneous	8,280	28,155	82,930	54,775
<b>Total Receipts</b>	<b>7,001,185</b>	<b>7,025,580</b>	<b>7,274,692</b>	<b>249,112</b>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	3,498,589	3,520,384	3,456,954	63,430
Special	543,183	596,649	590,525	6,124
Other	111,614	113,582	111,429	2,153
<b>Support Services:</b>				
Pupils	519,380	534,468	520,785	13,683
Instructional Staff	145,245	169,214	133,916	35,298
Board of Education	21,047	25,736	25,736	
Administration	585,750	547,781	530,677	17,104
Fiscal	234,610	229,955	223,411	6,544
Business	860	860	742	118
Operation and Maintenance of Plant	962,556	1,022,857	995,952	26,905
Pupil Transportation	340,176	454,818	419,380	35,438
Central	68,292	71,072	64,409	6,663
Extracurricular Activities	348,933	346,490	284,116	62,374
<b>Total Disbursements</b>	<b>7,380,235</b>	<b>7,633,866</b>	<b>7,358,032</b>	<b>275,834</b>
Excess of Receipts Under Disbursements	(379,050)	(608,286)	(83,340)	524,946
<b>Other Financing Sources (Uses):</b>				
Advances In			941	941
Transfers Out	(107,000)	(112,600)	(111,203)	1,397
<b>Total Other Financing Sources (Uses)</b>	<b>(107,000)</b>	<b>(112,600)</b>	<b>(110,262)</b>	<b>2,338</b>
Changes in Fund Balance	(486,050)	(720,886)	(193,602)	527,284
Fund Balance at Beginning of Year	3,068,845	3,068,845	3,068,845	
Prior Year Encumbrances Appropriated	153,596	153,596	153,596	
<b>Fund Balance at End of Year</b>	<b>\$2,736,391</b>	<b>\$2,501,555</b>	<b>\$3,028,839</b>	<b>\$527,284</b>

See accompanying notes to the basic financial statements.

**FORT LORAMIE LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2013**

	<u>Private Purpose Trust</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$4,590	\$44,143
<b>Liabilities:</b>		
Undistributed Moneys		933
Due to Students		43,210
Total Liabilities		\$44,143
<b>Net Position:</b>		
Held in Trust for Students	\$4,590	

*See accompanying notes to the basic financial statements.*

**FORT LORAMIE LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**STATEMENT OF CHANGE IN FIDUCIARY NET POSITION  
PRIVATE PURPOSE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<b><u>Private Purpose Trust</u></b>
<b>Additions:</b>	
Gifts and Donations	\$1,000
Commissions	1,181
Total Additions	<u>2,181</u>
<b>Deductions:</b>	
Non-instructional Services	<u>2,389</u>
Total Deductions	<u>2,389</u>
Change in Net Position	(208)
Net Position at Beginning of Year	<u>4,798</u>
Net Position at End of Year	<u><u>\$4,590</u></u>

*See accompanying notes to the basic financial statements.*

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**FORT LORAMIE LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**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 510<sup>th</sup> largest in the State of Ohio in fiscal year 2013. It is staffed by thirty classified employees, fifty certified teaching personnel, and five administrative employees who provide services to 841 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 16 and 17 to the basic financial statements. These organizations are Shelby County Local Professional Development Committee, Southwestern Ohio Educational Purchasing Council, Upper Valley Career Center, Western Ohio Computer Organization, Southwestern Ohio Instructional Technology Association, Shelby County Schools Consortium, OASBO Workers' Compensation Group Rating Plan, and Ohio School Plan Insurance Purchasing Pool.

**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. 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, 2013  
(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 position 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 position 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 position 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. 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 the 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.

**FORT LORAMIE LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 general obligation bonds.

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

**2. Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. 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's private purpose trust funds account for programs that provide college scholarships to students after graduation. 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, 2013  
(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 final amended certificate of estimated resources requested by the School District prior to fiscal year end.

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 2013, investments consisted of 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 net asset value per share, which is the price the investment could be sold for on June 30, 2013.

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 2013 was \$28,160, which included \$6,902 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.

**F. Cash and 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.

**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.



**FORT LORAMIE LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Long-Term Obligations**

Cash basis financial statements do not report liabilities for bonds and other 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 Position**

Net position is reported as restricted when there are limitations imposed on its use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for food service operations and federal and state grants. 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 position is available.

**K. Fund Balance**

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

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

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

**Committed** - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

**L. Fund Balance**

Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent intended uses established by the Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

**FORT LORAMIE LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

**M. Interfund Activity**

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

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

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

**3. CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2013, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements".

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change to the School District's financial statements.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. It also amends the net asset reporting requirements in GASB Statement No. 34 by incorporating deferred outflows and inflows into the definitions and renaming the residual measure as net position, rather than net assets. These changes were incorporated in the School District's fiscal year 2013 Statements; however, there was no effect on beginning net position fund balance.

**FORT LORAMIE LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**4. BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis is provided by law is based upon accounting for certain transactions on the basis of cash, receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements, and Change in Fund Balance – Budget (Non-GAAP Basis) and Actual presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The difference between the budgetary basis and cash basis is outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as committed or assigned fund balance (cash basis). The General Fund encumbrances outstanding at year end (budgetary basis) were \$203,589.

**5. 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;
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;

**FORT LORAMIE LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**5. DEPOSITS AND INVESTMENTS**

- 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.

**A. Investments**

The District's investments at June 30, 2013 were as follows:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Invest Maturity in Years</u>	
			<u>Less than 1</u>	<u>4-5</u>
STAR Ohio	\$499,180	AAAm <sup>1</sup>	\$499,180	
Federated Government Obligations Fund	61,538	AAAm <sup>1</sup>	61,538	
Federal Home Loan Bank Bonds	98,276	AA+ <sup>1</sup> /Aaa <sup>2</sup>		\$98,276
<b>Total Investments</b>	<b>\$658,994</b>		<b>\$560,718</b>	<b>\$98,276</b>

<sup>1</sup> Standard & Poor's

<sup>2</sup> Moody's Investor Service website & Fifth Third Funds website

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

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Food Services</u>	<u>Classroom Maintenance</u>
STAR Ohio	\$271,834		\$8,752	\$17,802	\$200,792
Federated Government Obligations Fund	26,538	\$10,000			25,000
Federal Home Loan Bank Bonds		98,276			
<b>Total</b>	<b>\$298,372</b>	<b>\$108,276</b>	<b>\$8,752</b>	<b>\$17,802</b>	<b>\$225,792</b>

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 policy dealing with credit risk beyond the requirements of State statute. STAR Ohio carries a rating of AAAM by Standard and Poor's. 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 STAR Ohio must maintain the highest rating provided by at least one nationally recognized standard rating service.

**FORT LORAMIE LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**6. 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 and public utility property located in the School District. Real property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, 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 2013 represent the collection of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, 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.

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 counties by June 30, 2013, are available to finance fiscal year 2013 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 2013 taxes were collected are:

	<b>2012 Second- Half Collections</b>		<b>2013 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Real Estate	\$88,875,560	97.8%	\$90,318,410	97.5%
Public Utility	2,008,700	2.2%	2,260,220	2.5%
Total Assessed Value	<u>\$90,884,260</u>	<u>100.00%</u>	<u>\$92,578,630</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$47.50		\$47.50	

**7. INCOME TAX**

The School District currently levies a voted tax of 1.5 percent for general operations on the income of residents and estates. Initially, the tax of .75 percent was effective on January 1, 1995 through December 1999. In May 1999 and March 2004, the .75 percent tax was renewed for additional five-year periods, effective through December 31, 2009. The School District passed a levy for an additional .75 percent, effective January 1, 2006 through December 31, 2009. In May 2009, the School District passed a levy for a combined 1.5 percent, effective January 1, 2010 through December 31, 2014. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**FORT LORAMIE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**8. 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 2013, the School District contracted with the Ohio School Plan for the following insurance coverage.

Ohio School Plan	
Building and Contents	
(\$1,000 deductible - 100% co-insurance)	\$32,206,535
Automobile Liability	3,000,000
Uninsured Motorists	1,000,000
Medical Payments per person	5,000
General Liability	
Per occurrence	3,000,000
Annual Aggregate	5,000,000

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 2013, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

The School District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (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, CompManagement, Inc., 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. CompManagement, Inc. provides administrative, cost control, and actuarial services to the Plan.

For fiscal year 2013, the School District participated in the Shelby County Schools Consortium, an insurance purchasing pool. The intent of the Consortium is to achieve the benefit of reduced health insurance premiums for the School District by virtue of its grouping and representation with other participants in the Consortium.

**9. DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

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

**FORT LORAMIE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**9. DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased 1 percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$404,923 and \$7,633 for the fiscal year ended June 30, 2013, \$399,454 and \$7,633 for the fiscal year ended June 30, 2012, and \$414,667 and \$6,562, for the fiscal year ended June 30, 2011. For fiscal year 2013, 82 percent has been contributed for the DBP and 82 percent has been contributed for the CP. The full amount has been contributed for fiscal years 2012 and 2011.

**B. School Employees Retirement System**

**Plan Description** - The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor 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 can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**9. DEFINED BENEFIT PENSION PLANS (Continued)**

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers is established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2013, the allocation to pension and death benefits was 13.1 percent. The remaining .9 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 was \$112,519, \$105,203, and \$99,684, respectively. For fiscal year 2013, 50 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

**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, 2013, all five 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 participates in a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined pension plans offered by STRS Ohio. Ohio law authorizes STRS Ohio to offer the Plan. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which can be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

**Funding Policy** - Chapter 3307 of the Ohio Revised Code authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The School District's contribution for health care for the fiscal years ended June 30, 2013, 2012, and 2011 was \$31,814, \$31,393, and \$32,539, respectively. For fiscal year 2013, 83 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**10. POST-EMPLOYMENT BENEFITS (Continued)**

**B. School Employees Retirement System**

**Plan Description** - The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

**Funding Policy** - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2013, .16 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 2013, this amount was \$20,525. For fiscal year 2013, the School District paid \$14,847 in surcharge.

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

The School District's contribution for health care for the fiscal years ended June 30, 2013, 2012, and 2011 was \$3,891, \$4,556, and \$12,070, respectively. For fiscal year 2013, 50 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

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 2013, this actuarially required allocation was .74 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 was \$6,356, \$6,213, and \$6,415, respectively. For fiscal year 2013, 50 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

**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 superintendent, treasurer and technology coordinator earn twenty days of vacation per year. Accumulated unused vacation time is paid to classified employees and the technology coordinator annually and upon termination of employment. Teachers do not earn vacation time.

**FORT LORAMIE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**11. OTHER EMPLOYEE BENEFITS (Continued)**

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. All employees may accumulate an unlimited number of sick leave days. Upon retirement, payment is made for 25 percent of a maximum of 225 of their accrued but unused sick leave credit plus one day for each day accumulated over 225, to a maximum of sixty and one-quarter (60.25) days for all employees.

**B. Health Care Benefits**

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

**12. LONG-TERM OBLIGATIONS**

Changes in the School District's long-term obligations during fiscal year 2013 were as follows:

	<u>Balance at 6/30/12</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/13</u>	<u>Amounts Due Within One Year</u>
General Long-Term Obligations					
2006 School Improvement					
Refunding Bonds					
Serial and Term Bonds 4.00 - 4.20%	\$3,960,000		\$235,000	\$3,725,00	\$250,000
Capital Appreciation Bonds 7.105%	289,998			289,998	
<b>2007 School Facilities Issue</b>					
Serial and Term Bonds 4.00 - 4.25%	4,970,000		90,000	4,880,000	95,000
Capital Appreciation Bonds 18.238%	65,999			65,999	
Total General Obligation Bonds	<u>9,285,997</u>		<u>325,000</u>	<u>8,960,997</u>	<u>345,000</u>
Other Long-Term Obligations					
Certificates of Participation	1,110,000	\$890,000	1,110,000	890,000	175,000
Total Long-Term Obligations	<u>\$10,395,997</u>	<u>\$890,000</u>	<u>\$1,435,000</u>	<u>\$9,850,997</u>	<u>\$520,000</u>

**A. 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 original bond issue included serial, term and capital appreciation bonds in the amount of \$3,630,000; \$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. The refunded general obligation bonds were fully retired on December 1, 2008.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**12. LONG-TERM OBLIGATIONS (Continued)**

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

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

The Current Interest Bonds maturing after December 1, 2016, are subject to optional redemption, in whole or in part on any date at the option of the Issuer on or after December 1, 2015 at par plus accrued interest to the date of redemption at a price of par; which is 100% 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.

**B. 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 original bond issue included serial, term and capital appreciation bonds in the amount of \$575,000; \$4,785,000; and \$65,999; respectively. All of the proceeds were spent as of June 30, 2009.

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

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

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

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

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(Continued)**

**12. LONG-TERM OBLIGATIONS (Continued)**

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

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

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

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**12. LONG-TERM OBLIGATIONS (Continued)**

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.

**C. 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 annual lease payments. Proceeds from the issuance of the Certificates will be used to construct the new building. All of the proceeds were spent as of June 30, 2009.

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 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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**12. LONG-TERM OBLIGATIONS (Continued)**

The School District's overall legal debt margin was (\$157,266) with an un-voted debt margin of \$90,318 at June 30, 2013. The school district is allowed to have a negative debt margin in light of the Ohio School Facilities Commission building program, approved on July 27, 2006, under terms of Ohio Revised Code section 133.06(I).

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2013, were as follows:

Fiscal Year Ending	General Obligation Bonds			
	Serial and Term		Capital Appreciation	
	Principal	Interest	Principal	Interest
2014	\$345,000	\$348,840		
2015		341,940	\$174,636	\$190,364
2016		341,940	163,071	206,929
2017	270,000	336,540	18,290	81,710
2018	380,000	323,540		
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>\$8,605,000</u>	<u>\$4,491,726</u>	<u>\$355,997</u>	<u>\$479,003</u>

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

**13. FUND BALANCE**

Fund balance is classified as non-spendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Restricted for:</b>				
Athletics and Music			\$54,098	\$54,098
Capital Improvements			410,060	410,060
Debt Service		\$986,110		986,110
Food Service Operations			17,856	17,856
Instruction			90	90
Total Restricted		986,110	482,104	1,468,214
<b>Assigned for:</b>				
Educational Activities	\$36,843			36,843
Unpaid Obligations	77,609			77,609
Total Assigned for	114,452			114,452
Unassigned	3,117,976			3,117,976
Total Fund Balance	<u>\$3,232,428</u>	<u>\$986,110</u>	<u>\$482,104</u>	<u>\$4,700,642</u>

**FORT LORAMIE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**14. 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 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. This amount must be carried forward and used for the same purpose in future years. The following cash basis information identifies the change in the fund balance for capital improvements during fiscal year 2013.

	<b>Capital Improvements</b>
Cash Balance as of June 30, 2012	
Current Year Requirements	\$142,218
Current Year Offsets	<u>(142,218)</u>
Total	<u><u>\$0</u></u>

**15. INTERFUND TRANSFERS**

During fiscal year 2013, the General Fund made transfers to the Permanent Improvement capital projects fund and to other governmental funds, in the amounts of \$100,000 and \$11,103, respectively, to subsidize operations.

**16. 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 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.

**FORT LORAMIE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**16. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**C. Upper Valley Career Center**

The Upper Valley Career Center 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 Career Center, 8811 Career Drive, Piqua, Ohio 45356.

**D. 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

**E. Southwestern Ohio Instructional Technology Association**

The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-three representatives of SOITA member schools or institutions. Twenty-one representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Brown, Butler, Champaign, Clark, Clermont, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2014, the School District paid \$693 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Larry Pogue, who serves as Executive Director, at 150 East Sixth Street, Franklin, Ohio 45005.



**FORT LORAMIE LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**17. INSURANCE POOLS**

**A. Ohio School Plan**

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

**B. 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 a 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.

**C. 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 Larry Lentz, who serves as consultant to the group, The Pinnacle Advisory Group, 131 North Ludlow Street, Dayton, Ohio 45402.

**18. 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, 2013.

**FORT LORAMIE LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**18. CONTINGENCIES (Continued)**

**B. Litigation**

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

**19. SUBSEQUENT EVENT**

On November 14, 2013, the School District issued \$715,000 in certificates of participation notes to retire notes previously issued for construction of additional classrooms and special use spaces in the Pre-K to Sixth grade building constructed in partnership with the Ohio School Facilities Commission. The notes have an interest rate of 1.25 percent and mature on November 13, 2014.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fort Loramie, Shelby County, (the School District) as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 18, 2014, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 18, 2014



# Dave Yost • Auditor of State

## Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on November 18, 2013 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 18, 2014

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# Dave Yost • 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  
JANUARY 15, 2015**