



OHIO AUDITOR OF STATE
KEITH FABER



**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



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 cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fort Loramie Local School District, Shelby County, Ohio (the School District), as of and for the years ended June 30, 2018 and 2017, 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 such 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.

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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 the Fort Loramie Local School District, Shelby County, Ohio, as of June 30, 2018 and 2017, 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. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2019 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.



Keith Faber
Auditor of State
Columbus, Ohio

February 26, 2019

Fort Loramie Local School District

Statement of Net Position - Cash Basis

June 30, 2018

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$10,510,432</u>
Net Position	
Restricted for:	
Capital Projects	\$607,899
Debt Service	1,299,160
Other Purposes	615,082
Unrestricted	<u>7,988,291</u>
<i>Total Net Position</i>	<u>\$10,510,432</u>

See accompanying notes to the basic financial statements

Fort Loramie Local School District
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2018

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Total Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$4,258,835	\$97,699	\$13,195	(\$4,147,941)
Special	862,815	364	444,848	(417,603)
Other	135,127	-	2,255	(132,872)
Support Services:				
Pupil	611,056	134,164	149,022	(327,870)
Instructional Staff	253,636	2,572	-	(251,064)
Board of Education	15,505	-	-	(15,505)
Administration	656,010	-	-	(656,010)
Fiscal	278,284	816	-	(277,468)
Business	100	-	-	(100)
Operation and Maintenance of Plant	1,066,123	18,269	-	(1,047,854)
Pupil Transportation	429,812	1,383	19,695	(408,734)
Central	129,941	95	3,600	(126,246)
Operation of Non-Instructional Services	326,802	273,710	51,291	(1,801)
Extracurricular Activities	529,595	164,698	4,586	(360,311)
Principal Retirement	359,978	-	-	(359,978)
Interest and Fiscal Charges	278,513	-	-	(278,513)
<i>Total Governmental Activities</i>	<u>\$10,192,132</u>	<u>\$693,770</u>	<u>\$688,492</u>	<u>(8,809,870)</u>
General Receipts				
Property Taxes Levied for:				
General Purposes				2,263,436
Capital Maintenance				40,870
Debt Service				638,829
Capital Projects				155,308
Income Taxes Levied for General Purposes				1,936,065
Grants and Entitlements not Restricted to Specific Programs				4,660,130
Interest				146,309
Miscellaneous				39,567
<i>Total General Receipts</i>				<u>9,880,514</u>
Change in Net Position				1,070,644
<i>Net Position Beginning of Year</i>				<u>9,439,788</u>
<i>Net Position End of Year</i>				<u><u>\$10,510,432</u></u>

See accompanying notes to the basic financial statements

Fort Loramie Local School District
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2018

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	<u>\$7,988,291</u>	<u>\$1,299,160</u>	<u>\$1,222,981</u>	<u>\$10,510,432</u>
Fund Balances				
Restricted	\$0	\$1,299,160	\$1,222,981	\$2,522,141
Assigned	311,091	-	-	311,091
Unassigned	<u>7,677,200</u>	<u>-</u>	<u>-</u>	<u>7,677,200</u>
<i>Total Fund Balances</i>	<u>\$7,988,291</u>	<u>\$1,299,160</u>	<u>\$1,222,981</u>	<u>\$10,510,432</u>

See accompanying notes to the basic financial statements

Fort Loramie Local School District
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Receipts				
Property Taxes	\$2,263,436	\$638,829	\$196,178	\$3,098,443
Income Taxes	1,936,065	-	-	1,936,065
Intergovernmental	4,868,708	89,116	329,182	5,287,006
Interest	133,699	-	13,802	147,501
Tuition and Fees	95,856	-	-	95,856
Rent	5,913	-	-	5,913
Extracurricular Activities	132,456	-	148,933	281,389
Contributions and Donations	55,838	-	4,586	60,424
Charges for Services	3,236	-	283,060	286,296
Miscellaneous	44,296	-	19,587	63,883
<i>Total Receipts</i>	<u>9,539,503</u>	<u>727,945</u>	<u>995,328</u>	<u>11,262,776</u>
Disbursements				
Current:				
Instruction:				
Regular	4,247,889	-	10,946	4,258,835
Special	742,902	-	119,913	862,815
Other	135,127	-	-	135,127
Support Services:				
Pupil	514,704	-	96,352	611,056
Instructional Staff	253,636	-	-	253,636
Board of Education	15,505	-	-	15,505
Administration	656,010	-	-	656,010
Fiscal	258,181	14,767	5,336	278,284
Business	100	-	-	100
Operation and Maintenance of Plant	1,042,615	-	23,508	1,066,123
Pupil Transportation	419,907	-	10,000	429,907
Central	126,246	-	3,600	129,846
Operation of Non-Instructional Services	-	-	326,802	326,802
Extracurricular Activities	373,102	-	156,493	529,595
Debt Service:				
Principal Retirement	-	359,978	-	359,978
Interest and Fiscal Charges	-	278,513	-	278,513
<i>Total Disbursements</i>	<u>8,785,924</u>	<u>653,258</u>	<u>752,950</u>	<u>10,192,132</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>753,579</u>	<u>74,687</u>	<u>242,378</u>	<u>1,070,644</u>
Other Financing Sources (Uses)				
Transfers In	-	-	3,000	3,000
Transfers Out	(3,000)	-	-	(3,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(3,000)</u>	<u>-</u>	<u>3,000</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	750,579	74,687	245,378	1,070,644
<i>Fund Balances Beginning of Year</i>	<u>7,237,712</u>	<u>1,224,473</u>	<u>977,603</u>	<u>9,439,788</u>
<i>Fund Balances End of Year</i>	<u><u>\$7,988,291</u></u>	<u><u>\$1,299,160</u></u>	<u><u>\$1,222,981</u></u>	<u><u>\$10,510,432</u></u>

See accompanying notes to the basic financial statements

Fort Loramie Local School District
Statement of Receipts, Disbursements and
Changes in Fund Balance - Budget (Budget Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2018

	<u>BUDGETED AMOUNTS</u>			VARIANCE WITH
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	FINAL BUDGET POSITIVE (NEGATIVE)
Receipts:				
Property Taxes	\$2,060,706	\$1,875,869	\$2,263,436	\$387,567
Income Taxes	1,800,000	1,698,595	1,936,065	237,470
Intergovernmental	4,796,316	4,796,316	4,868,708	72,392
Interest	43,712	-	133,699	133,699
Tuition and Fees	103,958	103,958	94,517	(9,441)
Contributions and Donations	5,290	5,290	5,913	623
Rent	6,096	6,096	-	(6,096)
Miscellaneous	429,016	403,803	11,925	(391,878)
Total Revenues	<u>9,245,094</u>	<u>8,889,927</u>	<u>9,314,263</u>	<u>424,336</u>
Disbursements:				
Current:				
Instruction:				
Regular	4,206,543	4,243,809	4,260,953	(17,144)
Special	687,756	716,197	744,706	(28,509)
Other	131,750	131,750	135,127	(3,377)
Support Services:				
Pupils	303,817	333,123	337,452	(4,329)
Instructional Staff	216,267	235,957	255,727	(19,770)
Board of Education	23,831	42,073	18,705	23,368
Administration	628,164	661,690	657,158	4,532
Fiscal	250,936	259,082	259,115	(33)
Business	750	750	100	650
Operation and Maintenance of Plant	975,216	1,122,769	1,181,508	(58,739)
Pupil Transportation	267,430	325,448	423,287	(97,839)
Central	125,580	196,158	184,478	11,680
Extracurricular Activities	377,836	409,520	375,461	34,059
Total Disbursements	<u>8,195,876</u>	<u>8,678,326</u>	<u>8,833,777</u>	<u>(155,451)</u>
Excess of Receipts Over (Under) Disbursements	1,049,218	211,601	480,486	268,885
Other Financing Source (Uses)				
Refund of Prior Year Expenditure	34,000	34,000	28,509	(5,491)
Transfers Out	(3,000)	(3,000)	(3,000)	-
Total Other Financing Sources (Uses)	<u>31,000</u>	<u>31,000</u>	<u>25,509</u>	<u>(5,491)</u>
Net Change in Fund Balances	1,080,218	242,601	505,995	263,394
Fund Balance at Beginning of Year	6,993,216	6,993,216	6,993,216	-
Prior Year Encumbrances Appropriated	185,825	185,825	185,825	-
Fund Balance at End of Year	<u>\$8,259,259</u>	<u>\$7,421,642</u>	<u>\$7,685,036</u>	<u>\$263,394</u>

See Accompanying Notes to the Basic Financial Statements

Fort Loramie Local School District
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2018

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$5,511	\$65,713
Liabilities		
Due to Students		\$65,713
Net Position		
Held in Trust for Scholarships	5,511	
Total Net Position	\$5,511	

See accompanying notes to the basic financial statements

Fort Loramie Local School District
Statement of Changes in Fiduciary Net Position - Cash Basis
Fiduciary Fund
For the Fiscal Year Ended June 30, 2018

	Private Purpose Trust
Additions	
Gifts and Contributions	\$750
Other Revenue	1,987
Total Additions	2,737
Deductions	
Scholarships	2,000
Change in Net Position	737
Net Position - Beginning of Year	4,774
Net Position - End of Year	\$5,511

See accompanying notes to the basic financial statements

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Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 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 County and Darke Counties. The School District is staffed by 32 non-certificated employees, 54 certificated full-time teaching personnel who provide services to 796 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 four 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

Insurance Purchasing Pools:

- Ohio School Plan
- Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan
- Shelby County Schools Consortium

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 1 - Reporting Entity (continued)

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

Note 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 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.

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 nonexchange 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.

Fund Financial Statements

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

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

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.

Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange 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.

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.

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.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

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, Bond Retirement and Food Service funds. The legal level of control for these funds is at the function level within the fund. The Treasurer makes budgetary allocations at the function and object level within all funds.

The certificate of estimated resources may be amended during the fiscal year if the Treasurer identifies projected increases or decreases in receipts. 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 the Board passed final appropriations.

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".

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.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

During fiscal year 2018, the School District invested in certificates of deposit, STAR Ohio, and Federated Government Obligations Money Market Fund. Investments are reported at fair 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 has adopted the Governmental Accounting Standards Board (GASB) Statement No. 79, "Certain External Investment Pool and Pool Participants." The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value. There were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participants will be combined for these purposes.

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 2018 was \$133,699, which included \$10,397 assigned from other School District funds.

F. 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.

G. 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.

H. 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.

I. 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.

J. 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 another financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

K. 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, 2018.

L. 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.

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.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

The School District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, 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.

M. 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.

N. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, information about the fiduciary net position on the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

N. 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.

Note 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 (Budget 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

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

Cash Basis net change in fund balance	\$750,579
Perspective Differences	(9,997)
Adjustment for Encumbrances	(234,587)
Budget Basis net change in fund balance	<u><u>\$505,995</u></u>

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 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

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 4 - Deposits and Investments (continued)

8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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.

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 \$4,471,372 and the bank balance was \$4,677,519. \$1,075,000 of the School District's deposits was insured by federal depository insurance. As of June 30, 2018, \$3,602,519 of the School District's bank balance 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.

Investments

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The School District had the following investments at fiscal year-end:

<u>Investment</u>	<u>Level</u>	<u>Maturity</u>	<u>Fair Value</u>
Federated Government Obligations Mutual Fund	1	89 days	\$ 11,137
STAR Ohio	1	48.9 days	6,099,147

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.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 4 - Deposits and Investments (continued)

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 Federated Government Obligations Money Market Fund and STAR Ohio are rated AAAM by Standard & Poor’s.

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 STAR Ohio (99.82%).

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.

Note 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 2018 represent the collection of calendar year 2017 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2017, on the assessed values as of January 1, 2017, 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.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 5 - Property Taxes (continued)

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, 2018, are available to finance fiscal year 2018 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 2018 taxes were collected are:

	2017 Second- Half Collections		2018 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$114,039,960	97.9%	\$118,094,000	97.7%
Public Utility Personal	2,434,540	2.1%	2,745,740	2.3%
Total	<u>\$116,474,500</u>	<u>100.00%</u>	<u>\$120,839,740</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$45.85		\$44.90	

Note 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 2014, the School District residents renewed a levy for 1.5 percent, effective January 1, 2015, through December 31, 2019. 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.

Note 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 2018, 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.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 7 - Risk Management (continued)

Insurance coverage provided includes the following:

Building and Contents-replacement cost (\$1,000 deductible)	\$36,289,281
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.

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.

C. Employee Medical Benefits

For fiscal year 2018, the School District participated in the Shelby County Schools Consortium, an insurance purchasing pool (Note 13). 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 out participants in the Consortium.

Note 8 - Defined Benefit Pension Plans

Net Pension Liability

The net pension liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the cash basis framework.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 8 - Defined Benefit Pension Plans (continued)

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the School District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District’s obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit
* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.		

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 8 - Defined Benefit Pension Plans (continued)

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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 by the SERS' Retirement Board up to statutory maximum amounts 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, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$133,656 for fiscal year 2018.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at 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. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost of living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 8 - Defined Benefit Pension Plans (continued)

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, the employer rate was 14 percent and the member rate was 14 percent of covered payroll. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$522,660 fiscal year 2018.

Net Pension Liability

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 8 - Defined Benefit Pension Plans (continued)

	SERS	STRS	Total
Proportion of the Net Pension Liability			
Prior Measurement Date	0.0277225%	0.0323658%	
Current Measurement Date	0.0288192%	0.0321967%	
Change in Proportionate Share	0.0010967%	-0.000169%	
Proportionate Share of the Net Pension Liability	\$1,721,884	\$7,648,393	\$9,370,277

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Wage Inflation	3.0 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.5 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Morality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 100 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disability Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 8 - Defined Benefit Pension Plans (continued)

The most recent experience study was completed for the five-year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00%	0.50%
U.S. Stocks	22.50	4.75
Non-U.S. Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00%</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.5 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.5 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.5 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent), or one percentage point higher (8.5 percent) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
School District's proportionate share of the net pension liability	\$2,389,527	\$1,721,884	\$1,162,596

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 8 - Defined Benefit Pension Plans (continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016, are presented below:

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.5 percent at age 20 to 2.5 percent at age 65	12.5 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses	7.75 percent, net of investment expenses
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 8 - Defined Benefit Pension Plans (continued)

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$10,963,711	\$7,648,393	\$4,855,734

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 9 - Postemployment Benefits

For fiscal year 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.” This GASB pronouncement had no effect on beginning net position as reported June 30, 2017, as the net OPEB liability is not reported in the accompanying financial statements because of the use of the cash basis framework. The net OPEB liability is disclosed below.

OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEBs are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net OPEB liability represents the School District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District’s obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees’ services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

A. School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS’ Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS’ health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS’ health care coverage. Most retirees and dependents choosing SERS’ health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS’ website at www.ohsers.org under Employers/Audit Resources.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 9 - Postemployment Benefits (continued)

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. 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 the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was \$16,008.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$20,958 for fiscal year 2018.

B. State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll.

For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 9 - Postemployment Benefits (continued)

Net OPEB Liability

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability Current Measurement Date	0.0291626%	0.0321967%	
Proportionate Share of the Net OPEB Liability	\$782,648	\$1,256,196	\$2,038,844

Actuarial Assumptions - SERS

SERS' total OPEB liability was determined by their actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 9 - Postemployment Benefits (continued)

	July 1, 2017
Inflation	3.00%
Projected salary increases	3.5% - 18.2%
	7.50% net of investment
Investment Rate of Return	expenses, including inflation
Payroll Increases	3 percent
Municipal Bond Index Rate	
Prior Measurement Date	2.92%
Measurement Date	3.56%
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Prior Measurement Date	2.98%
Measurement Date	3.63%
Medical Assumption Trend	
Pre-Medicare	7.05% - 5.00%
Medicare	5.50% - 5.00%

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five-year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 9 - Postemployment Benefits (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00%	0.50%
U.S. Stocks	22.50	4.75
Non-U.S. Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00%</u>	

Discount Rate The total pension liability was calculated using the discount rate of 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56%, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%).

	<u>1% Decrease (2.63%)</u>	<u>Current Discount Rate (3.63%)</u>	<u>1% Increase (4.63%)</u>
School District's proportionate share of the net OPEB liability	\$945,147	\$782,648	\$653,907

The following table presents the OPEB liability of SERS, what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 9 - Postemployment Benefits (continued)

	1% Decrease 6.5% decreasing to 4.0%	Current Discount Rate 7.5% decreasing to 5.0%	1% Increase 8.5% decreasing to 6.0%
School District's proportionate share of the net OPEB liability	\$635,060	\$782,648	\$977,982

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation.

	July 1, 2017
Inflation	2.50%
Salary increases	12.5% at age 20 to 2.5% at age 65 7.45%, net of investment expenses
Investment Rate of Return	3%
Payroll Increases	3%
Cost-of-Living Adjustments	0.0% effective July 1, 2017
Blended Discount rate of return	4.13%
Health care cost trends	6% - 11% initial, 4.50% ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 9 - Postemployment Benefits (continued)

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
 Total	 <u>100.00 %</u>	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 9 - Postemployment Benefits (continued)

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following tables represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (3.13%) or one-percentage-point higher (5.13%) than the current rate. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's proportionate share of the net OPEB liability	\$1,686,423	\$1,256,196	\$916,176
	1% Decrease In Trend Rate	Current Trend Rate	1% Increase in Trend Rate
School District's proportionate share of the net OPEB liability	\$872,751	\$1,256,196	\$1,760,854

Note 10 – Debt

The changes in the School District's long-term obligations during fiscal year 2018 were as follows:

	Amount Outstanding 6/30/17	Additions	Deletions	Amount Outstanding 6/30/18	Amount Due in One Year
Governmental Activities					
2016 Refunding Bonds					
Serial Bonds	\$7,475,000	\$0	(\$360,000)	\$7,115,000	\$370,000

2016 School Improvement Refunding Bonds

On March 8, 2016, the School District issued \$7,530,000 in general obligation bonds for the purpose of advance refunding the 2006 School Improvement Refunding Bonds (\$3,205,000) and the 2007 Classroom Facilities Bonds (\$4,785,000). The serial bonds carry interest rates from 2-4% and mature December 1, 2035.

The School District's overall debt margin was \$5,059,737, the energy conservation debt margin was \$1,087,558 and the un-voted debt margin was \$120,840 at June 30, 2018.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 10 – Debt (continued)

Principal and interest requirements to retire the general obligation bonds and loans outstanding at June 30, 2018, are as follows:

Fiscal Year Ending June 30	General Obligation Bonds		
	Principal	Interest	Total
2019	\$ 370,000	\$ 267,600	\$ 637,600
2020	385,000	256,275	641,275
2021	390,000	244,650	634,650
2022	410,000	230,600	640,600
2023	420,000	214,000	634,000
2024-2028	2,215,000	798,300	3,013,300
2029-2033	1,770,000	413,800	2,183,800
2034-2036	1,155,000	66,900	1,221,900
Grand Total	<u>\$ 7,115,000</u>	<u>\$ 2,492,125</u>	<u>\$ 9,607,125</u>

Note 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
Restricted for:				
Food Service	\$ -	\$ -	\$ 135,190	\$ 135,190
Athletics	-	-	71,953	71,953
Classroom Maintenance	-	-	403,964	403,964
Capital Improvements	-	-	607,899	607,899
Debt Service	-	1,299,160	-	1,299,160
State and Federal Grants	-	-	3,975	3,975
Total Restricted	<u>-</u>	<u>1,299,160</u>	<u>1,222,981</u>	<u>2,522,141</u>
Assigned for:				
Rotary Fund	4,354	-	-	4,354
Uniform School Supplies	7,836	-	-	7,836
Unpaid Obligations	234,587	-	-	234,587
Educational Activities	1,542	-	-	1,542
Public School Supprt	62,772	-	-	62,772
Total Assigned	<u>311,091</u>	<u>-</u>	<u>-</u>	<u>311,091</u>
Unassigned	7,677,200	-	-	7,677,200
Total Fund Balance	<u>\$ 7,988,291</u>	<u>\$ 1,299,160</u>	<u>\$ 1,222,981</u>	<u>\$ 10,510,432</u>

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 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 2018.

	Capital Acquisitions
Set-aside Reserve Balance as of June 30, 2017	\$0
Current Year Set-aside Requirement	143,870
Current Year Offsets	(143,870)
Totals	\$0

Note 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 WOCO 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 \$45,344 for services provided during the fiscal year. Financial information can be obtained from Donn Walls, 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 153 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. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 13 - Jointly Governed Organizations and Insurance Purchasing Pools (continued)

During 2018, the School District paid \$0 to the SOEPC for membership. 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 Anthony Fraley, who serves as CFO, 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 Keith Thomas, Treasurer, Midwest Regional Educational Service Center, 121 South Opera Street, Bellefontaine, OH 43311.

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 twelve member board consisting of superintendents and treasurers. The Hylant Group, Inc. is the Plan’s administrator and is responsible for processing claims. Financial information can be obtained from the Ohio School Plan, c/o Hylant Administrative Services, LLC 811 Madison Avenue, Toledo, OH 43603.

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 the local school districts in Shelby County. 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 to provide health/surgical, dental and term-life benefits to its participants at a lower rate than if individual districts acted independently. On January 1, 2018, the School District started a self-funded plan with Jefferson Health Plan.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 13 - Jointly Governed Organizations and Insurance Purchasing Pools (continued)

An administrative committee consisting of the superintendent from each participating school district and the educational service center governs the Consortium. The degree of control exercised by any participating school district is limited to its representation on the committee. Payments for health and dental insurance for fiscal year 2018 was \$1,147,709. Financial information can be obtained from Larry Lentz, who serves as consultant to the group, 462 Twelve Oaks Trail, Dayton, Ohio 45434.

Note 14 – Interfund

During fiscal year 2018, the General Fund transferred \$3,000 to the Athletic Fund to provide support needed.

Note 15 – Contingent Liabilities

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, 2018.

Litigation

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

Foundation Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional School Districts must comply with minimum hours of instructions, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year-end. The financial statement impact was determined to be immaterial and is not reported as an asset or a liability of the School District. The amount due to the School District at June 30, 2018, was \$10,241.

Note 16 – Tax Abatements

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 77, Tax Abatement Disclosures, the County is required to disclose certain information about tax abatements as defined in the Statement. For purposes of GASB Statement 77, a tax abatement is a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the local government or its citizens.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 16 – Tax Abatements (continued)

Enterprise Zone Program

Ohio Revised Code sections 5709.61-5709.69 allow for the designation of enterprise zones at the request of local legislative bodies and upon the approval of the director of development. After an area is certified as an enterprise zone, the legislative authority may enter into agreements with businesses to provide tax incentives in exchange for new investment in the designated area. An enterprise zone agreement allows for the exemption for a specified number of years (not to exceed 15) of a specified portion (not to exceed 75%) of the increase in the assessed valuation of real property as a result of the business' investment. As part of the agreement, businesses must make specific commitments to investment and job creation or retention. If for any three-year period of the agreement the business fails to meet at least 75% of the job creation or retention committed to, the business must repay any taxes abated during that three-year period. If the business fails to comply with other terms of the agreement, the agreement will be terminated and the business may have to repay all taxes that have been abated.

The Village of Fort Loramie entered into an agreement with Select Arc, Inc. The property taxes foregone by the School District for the abatement program for the year ended December 31, 2017, was \$4,631.

Note 17 – Compliance

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, deferred inflows/outflows, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

Note 18 – Change in Accounting Principles

For fiscal year 2018, the School District has implemented Governmental Accounting Standard Board Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits other than Pensions". This statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). See Note 9 for disclosures required by this statement.

For fiscal year 2018, the School District has implemented Governmental Accounting Standard Board Statement No. 82, "Pension Issues – An Amendment of GASB Statements No. 67, No. 68 and no. 73". This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplemental information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of this statement had no effect on the financial statements of the School District.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018
(Continued)

Note 18 – Change in Accounting Principles (continued)

For fiscal year 2018, the School District has implemented Governmental Accounting Standard Board Statement No. 86, “Certain Debt Extinguishment Issues”. This statement improves the consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. The implementation of this statement had no effect on the financial statements of the School District.

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Fort Loramie Local School District

Statement of Net Position - Cash Basis

June 30, 2017

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$9,439,788</u>
Net Position	
Restricted for:	
Capital Projects	\$429,202
Debt Service	1,224,473
Other Purposes	548,401
Unrestricted	<u>7,237,712</u>
<i>Total Net Position</i>	<u>\$9,439,788</u>

See accompanying notes to the basic financial statements

Fort Loramie Local School District
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2017

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Total Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$3,980,260	\$111,847	\$15,735	(\$3,852,678)
Special	800,137	12	508,206	(291,919)
Other	131,774	-	2,255	(129,519)
Support Services:				
Pupil	595,983	161,114	85,003	(349,866)
Instructional Staff	236,917	3,077	-	(233,840)
Board of Education	18,688	-	-	(18,688)
Administration	594,507	-	-	(594,507)
Fiscal	283,839	816	-	(283,023)
Business	100	-	-	(100)
Operation and Maintenance of Plant	762,281	17,826	-	(744,455)
Pupil Transportation	256,265	2,200	6,013	(248,052)
Central	145,783	851	3,600	(141,332)
Operation of Non-Instructional Services	310,147	283,826	59,563	33,242
Extracurricular Activities	524,315	144,970	12,132	(367,213)
Capital Outlay	544	-	-	(544)
Principal Retirement	425,000	-	-	(425,000)
Interest and Fiscal Charges	289,899	-	-	(289,899)
<i>Total Governmental Activities</i>	<u>\$9,356,439</u>	<u>\$726,539</u>	<u>\$692,507</u>	<u>(7,937,393)</u>
General Receipts				
Property Taxes Levied for:				
General Purposes				2,137,079
Capital Maintenance				38,844
Debt Service				660,915
Capital Projects				147,609
Income Taxes Levied for General Purposes				1,804,454
Grants and Entitlements not Restricted to Specific Programs				4,579,847
Gifts and Donations not Restricted to Specific Programs				8,639
Interest				65,834
Miscellaneous				37,119
<i>Total General Receipts</i>				<u>9,480,340</u>
Change in Net Position				1,542,947
<i>Net Position Beginning of Year</i>				<u>7,896,841</u>
<i>Net Position End of Year</i>				<u>\$9,439,788</u>

See accompanying notes to the basic financial statements

Fort Loramie Local School District
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2017

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	<u>\$7,237,712</u>	<u>\$1,224,473</u>	<u>\$977,603</u>	<u>\$9,439,788</u>
Fund Balances				
Restricted	\$0	\$1,224,473	\$977,603	\$2,202,076
Assigned	246,159	-	-	246,159
Unassigned	<u>6,991,553</u>	<u>-</u>	<u>-</u>	<u>6,991,553</u>
<i>Total Fund Balances</i>	<u>\$7,237,712</u>	<u>\$1,224,473</u>	<u>\$977,603</u>	<u>\$9,439,788</u>

See accompanying notes to the basic financial statements

Fort Loramie Local School District
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Receipts				
Property Taxes	\$2,137,079	\$660,915	\$186,453	\$2,984,447
Income Taxes	1,804,454	-	-	1,804,454
Intergovernmental	4,800,442	93,916	362,193	5,256,551
Interest	61,324	-	4,898	66,222
Tuition and Fees	112,019	-	-	112,019
Rent	6,251	-	-	6,251
Extracurricular Activities	161,305	-	140,137	301,442
Contributions and Donations	11,922	-	12,132	24,054
Charges for Services	3,242	-	292,998	296,240
Miscellaneous	39,643	2	8,061	47,706
<i>Total Receipts</i>	<u>9,137,681</u>	<u>754,833</u>	<u>1,006,872</u>	<u>10,899,386</u>
Disbursements				
Current:				
Instruction:				
Regular	3,964,525	-	15,735	3,980,260
Special	631,964	-	168,173	800,137
Other	131,774	-	-	131,774
Support Services:				
Pupil	489,018	-	106,965	595,983
Instructional Staff	236,917	-	-	236,917
Board of Education	18,688	-	-	18,688
Administration	594,507	-	-	594,507
Fiscal	263,376	15,344	5,119	283,839
Business	100	-	-	100
Operation and Maintenance of Plant	738,841	-	23,440	762,281
Pupil Transportation	256,265	-	-	256,265
Central	142,183	-	3,600	145,783
Operation of Non-Instructional Services	-	-	310,147	310,147
Extracurricular Activities	357,737	-	166,578	524,315
Capital Outlay	544	-	-	544
Debt Service:				
Principal Retirement	-	425,000	-	425,000
Interest and Fiscal Charges	-	289,899	-	289,899
<i>Total Disbursements</i>	<u>7,826,439</u>	<u>730,243</u>	<u>799,757</u>	<u>9,356,439</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,311,242</u>	<u>24,590</u>	<u>207,115</u>	<u>1,542,947</u>
Other Financing Sources (Uses)				
Transfers In	-	-	3,000	3,000
Transfers Out	(3,000)	-	-	(3,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(3,000)</u>	<u>-</u>	<u>3,000</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	1,308,242	24,590	210,115	1,542,947
<i>Fund Balances Beginning of Year</i>	<u>5,929,470</u>	<u>1,199,883</u>	<u>767,488</u>	<u>7,896,841</u>
<i>Fund Balances End of Year</i>	<u><u>\$7,237,712</u></u>	<u><u>\$1,224,473</u></u>	<u><u>\$977,603</u></u>	<u><u>\$9,439,788</u></u>

See accompanying notes to the basic financial statements

Fort Loramie Local School District
Statement of Receipts, Disbursements and
Changes in Fund Balance - Budget (Budget Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2017

	<u>BUDGETED AMOUNTS</u>			VARIANCE WITH
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	FINAL BUDGET POSITIVE (NEGATIVE)
Receipts:				
Property Taxes	\$1,915,811	\$1,915,811	\$2,137,079	\$221,268
Income Taxes	1,882,749	1,882,749	1,804,454	(78,295)
Intergovernmental	4,326,456	4,324,870	4,800,442	475,572
Interest	33,292	33,292	61,324	28,032
Tuition and Fees	106,299	106,299	109,967	3,668
Contributions and Donations	4,378	4,378	8,639	4,261
Rent	5,482	5,482	6,251	769
Miscellaneous	459,505	459,505	4,373	(455,132)
Total Revenues	<u>8,733,972</u>	<u>8,732,386</u>	<u>8,932,529</u>	<u>200,143</u>
Disbursements:				
Current:				
Instruction:				
Regular	4,097,210	4,127,538	3,996,327	131,211
Special	634,687	635,383	635,350	33
Other	163,600	163,600	131,774	31,826
Support Services:				
Pupils	341,699	346,573	333,375	13,198
Instructional Staff	341,799	397,964	237,032	160,932
Board of Education	37,945	59,392	25,198	34,194
Administration	634,643	640,512	603,106	37,406
Fiscal	263,350	269,249	265,272	3,977
Business	750	750	100	650
Operation and Maintenance of Plant	826,644	938,066	835,556	102,510
Pupil Transportation	282,663	289,634	265,058	24,576
Central	124,604	179,911	142,751	37,160
Extracurricular Activities	391,502	419,402	376,671	42,731
Capital Outlay	1,100	544	544	-
Total Disbursements	<u>8,142,196</u>	<u>8,468,518</u>	<u>7,848,114</u>	<u>620,404</u>
Excess of Receipts Over (Under) Disbursements	591,776	263,868	1,084,415	820,547
Other Financing Source (Uses)				
Refund of Prior Year Expenditure	45,028	45,028	33,585	(11,443)
Transfers Out	(8,000)	(3,000)	(3,000)	-
Total Other Financing Sources (Uses)	<u>37,028</u>	<u>42,028</u>	<u>30,585</u>	<u>(11,443)</u>
Net Change in Fund Balances	628,804	305,896	1,115,000	809,104
Fund Balance at Beginning of Year	5,692,517	5,692,517	5,692,517	-
Prior Year Encumbrances Appropriated	185,699	185,699	185,699	-
Fund Balance at End of Year	<u>\$6,507,020</u>	<u>\$6,184,112</u>	<u>\$6,993,216</u>	<u>\$809,104</u>

See Accompanying Notes to the Basic Financial Statements.

Fort Loramie Local School District
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2017

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$4,774	\$57,198
Liabilities		
Due to Students		\$57,198
Net Position		
Held in Trust for Scholarships	4,774	
Total Net Position	\$4,774	

See accompanying notes to the basic financial statements.

Fort Loramie Local School District
Statement of Changes in Fiduciary Net Position - Cash Basis
Fiduciary Fund
For the Fiscal Year Ended June 30, 2017

	Private Purpose Trust
Additions	
Gifts and Contributions	\$1,000
Other Revenue	1,392
Total Additions	2,392
Deductions	
Scholarships	2,500
Change in Net Position	(108)
Net Position - Beginning of Year	4,882
Net Position - End of Year	\$4,774

See accompanying notes to the basic financial statements

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Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 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 County and Darke Counties. The School District is staffed by 30 non-certificated employees, 52 certificated full-time teaching personnel who provide services to 798 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 four 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

Insurance Purchasing Pools:

- Ohio School Plan
- Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan
- Shelby County Schools Consortium

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

Note 1 - Reporting Entity (continued)

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

Note 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 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.

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
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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.

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
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

Note 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, Bond Retirement and Food Service funds. The legal level of control for these funds 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
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

Note 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 2017, the School District invested in certificates of deposit, STAR Ohio, and Federated Government Obligations Money Market Fund. Investments are reported at fair 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.

During fiscal year 2017, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, Certain External Investment Pools and Pool Participants. The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

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 2017 was \$61,324, which included \$10,058 assigned from other School District funds.

F. 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.

G. 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.

H. 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.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

I. 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.

For purposes of measuring the net pension liability, information about the fiduciary net position on the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

J. 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 another financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

K. 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, 2017.

L. 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.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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.

M. 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.

N. Pensions

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

Note 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 (Budget 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

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

Cash Basis net change in fund balance	\$1,308,242
Perspective Differences	(7,420)
Adjustment for Encumbrances	(185,822)
Budget Basis net change in fund balance	\$1,115,000

Note 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;

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

Note 4 - Deposits and Investments (continued)

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.

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.

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 \$4,137,261 and the bank balance was \$4,246,477. \$750,000 of the School District's deposits was insured by federal depository insurance. As of June 30, 2017, \$3,496,477 of the School District's bank balance 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.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

Note 4 - Deposits and Investments (continued)

Investments

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The School District had the following investments at fiscal year-end:

<u>Investment</u>	<u>Level</u>	<u>Maturity</u>	<u>Fair Value</u>
Federated Government Obligations Mutual Fund	1	34 days	\$ 307,990
STAR Ohio	1	45.5 days	5,056,509

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 Federated Government Obligations Money Market Fund and STAR Ohio are rated AAAM by Standard & Poor’s.

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 STAR Ohio (94.26%) and Fifth Third Institutional Government Money Market Fund (5.74%)

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.

Note 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 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

Note 5 - Property Taxes (continued)

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, 2017, are available to finance fiscal year 2017 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 2017 taxes were collected are:

	2016 Second- Half Collections		2017 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$112,939,150	97.9%	\$114,039,960	97.9%
Public Utility Personal	2,434,580	2.1%	2,434,540	2.1%
Total	<u>\$115,373,690</u>	<u>100.00%</u>	<u>\$116,474,500</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$45.85		\$45.85	

Note 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 2014, the School District residents renewed a levy for 1.5 percent, effective January 1, 2015, through December 31, 2019. 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.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

Note 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 2017, 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)	\$36,289,281
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.

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.

C. Employee Medical Benefits

For fiscal year 2017, the School District participated in the Shelby County Schools Consortium, an insurance purchasing pool (Note 13). 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 out participants in the Consortium.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

Note 8 - Defined Benefit Pension Plans

Net Pension Liability

The net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the School District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District’s obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

Note 8 - Defined Benefit Pension Plans (continued)

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit
* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.		

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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 by the SERS’ Retirement Board up to statutory maximum amounts 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, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent; 0 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$131,483 for fiscal year 2017.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

Note 8 - Defined Benefit Pension Plans (continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$520,155 for fiscal year 2017.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

Note 8 - Defined Benefit Pension Plans (continued)

Net Pension Liability

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$2,029,031	\$10,833,795	\$12,862,826
Proportion of the Net Pension Liability Prior Measurement Date	0.0273880%	0.0318036%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.0277225%</u>	<u>0.0323658%</u>	
Change in Proportionate Share	0.0003345%	0.0005622%	

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

Note 8 - Defined Benefit Pension Plans (continued)

Wage Inflation	3.0 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.5 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

For morality assumptions, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was used in the prior measurement period. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

Note 8 - Defined Benefit Pension Plans (continued)

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$2,686,311	\$2,029,031	\$1,478,861

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10-year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class.

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

Note 8 - Defined Benefit Pension Plans (continued)

Asset Class	Target		Long Term Expected	
	Allocation		Real Rate of Return	
Domestic Equity	31.00	%	8.00	%
International Equity	26.00		7.85	
Alternatives	14.00		8.00	
Fixed Income	18.00		3.75	
Real Estate	10.00		6.75	
Liquidity Reserves	1.00		3.00	
Total	100.00	%		

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent as applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$14,397,234	\$10,833,795	\$7,827,825

Changes Between Measurement Date and Report Date

In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to the School District's net pension liability is expected to be significant.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

Note 9 – Postemployment Benefits

School Employees Retirement System

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, 0 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. 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 the health care surcharge. For fiscal year 2017, the School District's surcharge obligation was \$15,514.

The School District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$15,514, \$29,627, and \$21,235, respectively. For fiscal year 2017, 0 percent has been contributed. The full amount has been contributed for fiscal years 2016 and 2015.

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) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer the plan. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. The Plan is included in the STRS financial report which can be obtained by visiting the STRS website at www.strsoh.org or by calling (888) 227-7877.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

Note 9 – Postemployment Benefits (continued)

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the health care plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the health care plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal years ended June 30, 2017, 2016, and 2015, STRS did not allocate any employer contributions to postemployment health care.

Note 10 – Debt

The changes in the School District’s long-term obligations during fiscal year 2017 were as follows:

	Amount Outstanding 6/30/2016	Additions	Deletions	Amount Outstanding 6/30/2017	Amount Due in One Year
Governmental Activities					
Refunding 1998 Bond Serial and Term Bonds	\$270,000	\$0	(\$270,000)	\$0	\$0
Capital Appreciation Bonds 2006 School Facilities	-	-	-	-	-
Capital Appreciation Bonds 2016 Refunding Bonds	18,290	-	(18,290)	-	-
Serial Bonds	7,530,000	-	(55,000)	7,475,000	360,000
Total	7,818,290	-	(343,290)	7,475,000	360,000

* an additional \$81,710 of accretion on the bonds are shown on the statements as principal retirement.

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 \$289,999, respectively. 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 2006 School Improvement Refunding Bonds were refunded in 2016.

2016 School Improvement Refunding Bonds

On March 8, 2016, the School District issued \$7,530,000 in general obligation bonds for the purpose of advance refunding the 2006 School Improvement Refunding Bonds (\$3,205,000) and the 2007 Classroom Facilities Bonds (\$4,785,000). The serial bonds carry interest rates from 2-4% and mature December 1, 2035.

The School District's overall debt margin was \$4,232,178, the energy conservation debt margin was \$1,048,271 and the un-voted debt margin was \$116,475 at June 30, 2017.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

Note 10 – Debt (continued)

Principal and interest requirements to retire the general obligation bonds and loans outstanding at June 30, 2017, are as follows:

Fiscal Year Ending June 30	General Obligation Bonds		
	Principal	Interest	Total
2018	\$ 360,000	\$ 278,550	\$638,550
2019	370,000	267,600	637,600
2020	385,000	256,275	641,275
2021	390,000	244,650	634,650
2022	410,000	230,600	640,600
2023-2027	2,320,000	889,000	3,209,000
2028-2032	1,700,000	483,200	2,183,200
2033-2037	1,540,000	120,800	1,660,800
Grand Total	<u>\$7,475,000</u>	<u>\$2,770,675</u>	<u>\$10,245,675</u>

Note 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
Restricted for:				
Food Service	\$ -	\$ -	\$ 136,990	\$ 136,990
Athletics	-	-	56,169	56,169
Classroom Maintenance	-	-	348,100	348,100
Capital Improvements	-	-	429,202	429,202
Debt Service	-	1,224,473	-	1,224,473
State and Federal Grants	-	-	7,142	7,142
Total Restricted	<u>-</u>	<u>1,224,473</u>	<u>977,603</u>	<u>2,202,076</u>
Assigned for:				
Uniform School Supplies	1,657	-	-	1,657
Unpaid Obligations	185,822	-	-	185,822
Educational Activities	1,542	-	-	1,542
Public School Supprt	57,138	-	-	57,138
Total Assigned	<u>246,159</u>	<u>-</u>	<u>-</u>	<u>246,159</u>
Unassigned	6,991,553	-	-	6,991,553
Total Fund Balance	<u>\$ 7,237,712</u>	<u>\$ 1,224,473</u>	<u>\$ 977,603</u>	<u>\$ 9,439,788</u>

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

Note 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 2017.

	Capital Acquisitions
Set-aside Reserve Balance as of June 30, 2016	\$0
Current Year Set-aside Requirement	145,558
Current Year Offsets	(145,558)
Totals	\$0

Note 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 WOCO 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 \$58,489 for services provided during the fiscal year. Financial information can be obtained from Donn Walls, 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 153 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.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

Note 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. During 2017, the School District paid \$0 to the SOEPC for membership. 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 Anthony Fraley, who serves as CFO, 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 Keith Thomas, Treasurer, Midwest Regional Educational Service Center, 121 South Opera Street, Bellefontaine, OH 43311.

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 twelve member board consisting of superintendents and treasurers. The Hylant Group, Inc. is the Plan’s administrator and is responsible for processing claims. Financial information can be obtained from the Ohio School Plan, c/o Hylant Administrative Services, LLC 811 Madison Avenue, Toledo, OH 43603.

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

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

Note 13 - Jointly Governed Organizations and Insurance Purchasing Pools (continued)

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. During fiscal year 2017, the School District paid \$925,231 for health insurance. Financial information can be obtained from Larry Lentz, who serves as consultant to the group, 462 Twelve Oaks Trail, Dayton, OH 45434.

Note 14 – Interfund

During fiscal year 2017, the General Fund transferred \$3,000 to the Athletic Fund to provide support needed.

Note 15 – Contingent Liabilities

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, 2017.

Litigation

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

Foundation Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional School Districts must comply with minimum hours of instructions, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year-end. As of the date of this report, ODE has finalized the impact of enrollment adjustments to the June 30, 2017 with an amount due the District of \$233.

Note 16 – Tax Abatements

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 77, Tax Abatement Disclosures, the County is required to disclose certain information about tax abatements as defined in the Statement. For purposes of GASB Statement 77, a tax abatement is a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the local government or its citizens.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

Note 16 – Tax Abatements (continued)

Community Reinvestment Area (CRA) Program

The Ohio Community Reinvestment Area program is an economic development tool administered by municipal and county governments that provides real property tax exemptions for property owners who renovate existing or construct new buildings. Community Reinvestment Areas (CRA) are areas of land in which property owners can receive tax incentives for investing in real property improvements. In order to use the Community Reinvestment program, a city, village, or county petitions to the Ohio Development Services Agency (ODSA) for confirmation of a geographical area in which investment in housing has traditionally been discouraged. Once the area is confirmed by the Director of ODSA, communities may offer real property tax exemptions to taxpayers that invest in that area.

The type of development is determined by specifying the eligibility of residential, commercial and/or industrial projects. The local governments negotiate property tax exemptions on new property tax from investment for up to one hundred percent for up to fifteen years based on the amount of investments made to renovate or construct buildings within a CRA. Taxes are abated as the increase in assessed value resulting from the investment is not included (or included at a lesser amount) in the assessed value used for property tax computation for the taxpayer. For commercial projects, job retention and/or creation is also required. Agreements must be in place before the project begins. Provisions for recapturing property tax exemptions, which can be used at the discretions of the local governments, are pursuant to ORC Section 9.66(C)(1) and 9.66(C)(2).

The Village of Fort Loramie entered into agreements with Select Associates LLC and Wayne Trail Technologies. The property taxes foregone by the School District for the abatement program for the year ended December 31, 2016, was \$10,118.

Note 17 – Compliance

Ohio Administrative Code Section 117-2-03(B) requires the School District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP). For 2017, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standard Board Statement No. 34, report on the basis of cash receipts and cash disbursements rather than GAAP. The accompanying financial statements and notes omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Revised Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

Note 18 – Change in Accounting Principles

For fiscal year 2017, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 74, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.” This statement improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB). This statement provides guidance for the pension plans. The implementation of this statement had no effect on the financial statements of the School District.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
(Continued)

Note 18 – Change in Accounting Principles (continued)

For fiscal year 2017, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 77, “Tax Abatement Disclosures.” This statement requires governments that enter into tax abatement agreements to disclose information to make these transactions more transparent to the financial statement users. See Note 16.

For fiscal year 2017, the School District has implemented Governmental Accounting Standard Board Statement No. 80, “Requirements for Certain Component Units-An Amendment of GASB Statement No. 14.” This statement amends the blending requirements for financial statement presentation of component units. The implementation of this statement had no effect on the financial statements of the School District.

For fiscal year 2017, the School District has implemented Governmental Accounting Standard Board Statement No. 81, “Irrevocable Split-Interest Agreements.” This statement improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of this statement had no effect on the financial statements of the School District.

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OHIO AUDITOR OF STATE KEITH FABER



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 cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fort Loramie Local School District, Shelby County, (the School District) as of and for the years ended June 30, 2018 and 2017, 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 February 26, 2019, 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 opinions 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.

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402
Phone: 937-285-6677 or 800-443-9274
www.ohioauditor.gov

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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2018-001.

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

February 26, 2019

FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2018 AND 2017

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2018-001

Failure to File GAAP - Noncompliance

Ohio Rev. Code § 117.38 provides, in part, that each public office, other than a state agency, shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03(B) further clarifies the requirements of Ohio Rev. Code § 117.38.

Ohio Admin. Code § 117-2-03(B) requires the School District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP). However, the School District prepared its financial statements for fiscal years 2018 and 2017 that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position and disclosures that, while presumed material, cannot be determined at this time. Pursuant to Ohio Rev. Code § 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The School District did not file financial statements in accordance with GAAP for fiscal years 2018 and 2017.

Failure to report on a GAAP basis compromises the School District's ability to evaluate and monitor the overall financial condition of the School District. To help provide the users with more meaningful financial statements, the School District should prepare its annual financial statements in accordance with GAAP to include assets, liabilities, deferred inflows/outflows of resources, fund equity/net position and the disclosures required to accurately and completely present the School District's financial condition.

Official's Response: We did not receive a response from Officials to this finding.



FORT LORAMIE LOCAL SCHOOLS

"A Great Place to Learn and a Great Place to Live"

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS June 30, 2018

Finding Number	Finding Summary	Status	Additional Information
2016-001	Ohio Rev. Code § 117.38 & Ohio Admin. Code § 117-2-03(B) – Failed to prepare financial statements in accordance with GAAP.	Not addressed or fixed in current audit period	Repeated as finding 2018-001
2016-002	Accuracy of Financial Reporting – Material Weakness	Corrected during audit period	

OHIO AUDITOR OF STATE KEITH FABER



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
APRIL 9, 2019**