



Dave Yost • Auditor of State

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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SHELBY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fort Loramie Local School District, Shelby County, Ohio (the School District), as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fort Loramie Local School District, Shelby County, Ohio, as of June 30, 2016 and 2015, 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 Matters

Other Information

We applied no procedures to Management's Discussion & Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2017, 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.

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Dave Yost
Auditor of State
Columbus, Ohio

May 1, 2017

Fort Loramie Local School District

Statement of Net Position - Cash Basis

June 30, 2016

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$7,896,841</u>
Net Position	
Restricted for:	
Capital Projects	\$263,251
Debt Service	1,199,883
Other Purposes	504,237
Unrestricted	<u>5,929,470</u>
<i>Total Net Position</i>	<u>\$7,896,841</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, 2016

	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	\$3,760,255	\$122,631	\$16,979	(\$3,620,645)
Special	720,878	125	525,222	(195,531)
Other	155,441	-	136	(155,305)
Support Services:				
Pupil	556,456	113,723	123,590	(319,143)
Instructional Staff	199,504	3,720	-	(195,784)
Board of Education	37,789	-	-	(37,789)
Administration	596,076	-	-	(596,076)
Fiscal	254,567	9,229	-	(245,338)
Business	731	-	-	(731)
Operation and Maintenance of Plant	801,844	19,555	-	(782,289)
Pupil Transportation	432,644	2,708	2,218	(427,718)
Central	112,901	750	3,600	(108,551)
Operation of Non-Instructional Services	294,641	286,692	57,294	49,345
Extracurricular Activities	518,714	125,644	7,863	(385,207)
Capital Outlay	226,567	-	58,715	(167,852)
Principal Retirement	685,000	-	-	(685,000)
Payment to Bond Escrow Agent	8,323,056	-	-	(8,323,056)
Interest and Fiscal Charges	246,017	-	-	(246,017)
Issuance Costs	112,504	-	-	(112,504)
<i>Total Governmental Activities</i>	<u>\$18,035,585</u>	<u>\$684,777</u>	<u>\$795,617</u>	(16,555,191)
General Receipts				
Property Taxes Levied for:				
General Purposes				2,101,311
Capital Maintenance				38,262
Debt Service				650,926
Capital Projects				145,392
Income Taxes Levied for General Purposes				2,004,505
Grants and Entitlements not Restricted to Specific Programs				4,566,357
Gifts and Donations not Restricted to Specific Programs				2,740
Refunding Bonds Issued				7,530,000
Premium on Refunding Bonds Issued				910,440
Interest				54,348
Miscellaneous				51,968
<i>Total General Receipts</i>				<u>18,056,249</u>
Change in Net Position				1,501,058
<i>Net Position Beginning of Year</i>				<u>6,395,783</u>
<i>Net Position End of Year</i>				<u><u>\$7,896,841</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, 2016

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$5,929,470	\$1,199,883	\$767,488	\$7,896,841
Fund Balances				
Restricted	-	\$1,199,883	\$767,488	\$1,967,371
Assigned	237,526	-	-	237,526
Unassigned	5,691,944	-	-	5,691,944
<i>Total Fund Balances</i>	\$5,929,470	\$1,199,883	\$767,488	\$7,896,841

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, 2016

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Receipts				
Property Taxes	\$2,101,311	\$650,926	\$183,654	\$2,935,891
Income Taxes	2,004,505	-	-	2,004,505
Intergovernmental	4,786,424	93,572	367,958	5,247,954
Interest	40,331	-	2,434	42,765
Tuition and Fees	121,405	-	-	121,405
Rent	4,741	-	-	4,741
Extracurricular Activities	115,378	-	122,972	238,350
Contributions and Donations	8,699	-	107,863	116,562
Charges for Services	3,772	-	293,589	297,361
Miscellaneous	65,873	7,381	13,415	86,669
<i>Total Receipts</i>	<u>9,252,439</u>	<u>751,879</u>	<u>1,091,885</u>	<u>11,096,203</u>
Disbursements				
Current:				
Instruction:				
Regular	3,743,276	-	16,979	3,760,255
Special	553,281	-	167,597	720,878
Other	155,441	-	-	155,441
Support Services:				
Pupil	453,537	-	102,919	556,456
Instructional Staff	199,504	-	-	199,504
Board of Education	37,789	-	-	37,789
Administration	596,076	-	-	596,076
Fiscal	234,229	15,253	5,085	254,567
Business	731	-	-	731
Operation and Maintenance of Plant	721,949	-	79,895	801,844
Pupil Transportation	432,644	-	-	432,644
Central	105,701	-	7,200	112,901
Operation of Non-Instructional Services	-	-	294,641	294,641
Extracurricular Activities	392,369	-	126,345	518,714
Capital Outlay	186,868	-	39,699	226,567
Debt Service:				
Principal Retirement	315,000	370,000	-	685,000
Interest and Fiscal Charges	3,927	242,090	-	246,017
Issuance Costs	-	112,504	-	112,504
<i>Total Disbursements</i>	<u>8,132,322</u>	<u>739,847</u>	<u>840,360</u>	<u>9,712,529</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,120,117</u>	<u>12,032</u>	<u>251,525</u>	<u>1,383,674</u>
Other Financing Sources (Uses)				
Payment to Bond Escrow Agent	-	(8,323,056)	-	(8,323,056)
Refunding Bonds Issued	-	7,530,000	-	7,530,000
Premium on Refunding Bonds Issued	-	910,440	-	910,440
Transfers In	-	-	6,902	6,902
Transfers Out	(6,902)	-	-	(6,902)
<i>Total Other Financing Sources (Uses)</i>	<u>(6,902)</u>	<u>117,384</u>	<u>6,902</u>	<u>117,384</u>
<i>Net Change in Fund Balances</i>	1,113,215	129,416	258,427	1,501,058
<i>Fund Balances Beginning of Year</i>	<u>4,816,255</u>	<u>1,070,467</u>	<u>509,061</u>	<u>6,395,783</u>
<i>Fund Balances End of Year</i>	<u>\$5,929,470</u>	<u>\$1,199,883</u>	<u>\$767,488</u>	<u>\$7,896,841</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, 2016

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	VARIANCE WITH
	<u>ORIGINAL</u>	<u>FINAL</u>		FINAL BUDGET
				POSITIVE (NEGATIVE)
Receipts:				
Property Taxes	\$1,830,000	\$2,097,442	\$2,101,311	\$3,869
Income Taxes	1,830,000	2,004,505	2,004,505	-
Intergovernmental	4,217,150	4,617,150	4,786,424	169,274
Interest	26,500	26,500	40,331	13,831
Tuition and Fees	93,850	93,850	116,930	23,080
Contributions and Donations	3,700	3,700	4,741	1,041
Rent	3,500	3,500	2,740	(760)
Charges for Services	-	-	750	750
Miscellaneous	300,500	(5,923)	5,236	11,159
Total Revenues	<u>8,305,200</u>	<u>8,840,724</u>	<u>9,062,968</u>	<u>222,244</u>
Disbursements:				
Current:				
Instruction:				
Regular	3,828,032	4,040,120	3,758,589	281,531
Special	589,797	594,903	553,852	41,051
Other	146,502	169,420	155,441	13,979
Support Services:				
Pupils	329,636	344,286	320,825	23,461
Instructional Staff	194,440	216,986	202,005	14,981
Board of Education	24,364	69,251	59,236	10,015
Administration	595,522	643,873	601,945	41,928
Fiscal	226,235	261,093	240,128	20,965
Business	744	844	731	113
Operation and Maintenance of Plant	691,782	882,941	828,257	54,684
Pupil Transportation	326,972	476,578	439,865	36,713
Central	118,577	121,945	106,232	15,713
Extracurricular Activities	353,355	439,349	396,069	43,280
Capital Outlay	-	192,250	186,868	5,382
Debt Service:				
Principal Retirement	175,000	320,000	318,927	1,073
Total Disbursements	<u>7,600,958</u>	<u>8,773,839</u>	<u>8,168,970</u>	<u>604,869</u>
Excess of Receipts Over (Under) Disbursements	704,242	66,885	893,998	827,113
Other Financing Source (Uses)				
Refund of Prior Year Expenditure	22,000	66,919	58,332	(8,587)
Transfers Out	(8,700)	(8,700)	(6,902)	1,798
Total Other Financing Sources (Uses)	<u>13,300</u>	<u>58,219</u>	<u>51,430</u>	<u>(6,789)</u>
Net Change in Fund Balances	717,542	125,104	945,428	820,324
Fund Balance at Beginning of Year	4,455,859	4,455,859	4,455,859	-
Prior Year Encumbrances Appropriated	291,230	291,230	291,230	-
Fund Balance at End of Year	<u>\$5,464,631</u>	<u>\$4,872,193</u>	<u>\$5,692,517</u>	<u>\$820,324</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, 2016

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$4,882	\$49,546
Liabilities		
Due to Students		\$49,546
Net Position		
Held in Trust for Scholarships	4,882	
Total Net Position	\$4,882	

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, 2016

	Private Purpose Trust
Additions	
Gifts and Contributions	\$1,125
Other Revenue	1,056
Total Additions	2,181
Deductions	
Scholarships	1,000
Change in Net Position	1,181
Net Position - Beginning of Year	3,701
Net Position - End of Year	\$4,882

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, 2016

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 31 non-certificated employees, 52 certificated full-time teaching personnel who provide services to 815 students and other community members. The School District currently operates two instructional/support buildings.

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

A. Primary Government

The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Fort Loramie Local School District, this includes general operations, food service, and student related activities of the School District.

B. Component Units

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. The School District is also financially accountable for any organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in amount to the School District. The School District does not have any component units.

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

Jointly Governed Organizations:

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

Insurance Purchasing Pools:

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

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(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 modified cash basis of accounting. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

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

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.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(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. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

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

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(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, 2016
(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 2016, 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 does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2016.

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 2016 was \$40,331, which included \$7,793 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.

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.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

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 an other 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, 2016.

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.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

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. 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 and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and cash basis is

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

Cash Basis	\$ 1,113,215
Encumbrances	(185,678)
Perspective Differences	17,891
Budgetary Basis	<u><u>\$ 945,428</u></u>

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(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, 2016
(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 \$4,015,035 and the bank balance was \$4,358,873. \$1,059,982 of the School District's deposits was insured by federal depository insurance. As of June 30, 2016, \$3,298,891 of the School District's bank balance of \$4,358,873 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 had the following investments at fiscal year-end:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Federated Government Obligations Mutual Fund - Level 1	42 days	\$ 11,214
STAR Ohio - Level 1	48.6 days	3,925,020
Total		\$ 3,936,234

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, 2016
(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 is 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 the following:

<u>Type of Investment</u>	<u>Percentage</u>
STAR Ohio	99.72%

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 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2015, on the assessed values as of January 1, 2015, 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, 2016
(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, 2016, are available to finance fiscal year 2016 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 2016 taxes were collected are:

	2015 Second- Half Collections		2016 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$111,009,020	97.9%	\$112,939,150	97.9%
Public Utility Personal	2,355,620	2.1%	2,434,580	2.1%
Total	<u>\$113,364,640</u>	<u>100.00%</u>	<u>\$115,373,690</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.

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 2016, 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, 2016
(Continued)

Note 7 - Risk Management (continued)

Insurance coverage provided includes the following:

Building and Contents-replacement cost (\$1,000 deductible)	\$34,927,772
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 2016, the School District participated in the Midwest Regional 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 not reported in the accompanying financial statements. The net pension liability has been disclosed below.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(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, 2016
(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, 2016, 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 \$120,533 for fiscal year 2016.

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. 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 year of qualifying service credit, or age 55 with 25 years of service, or 30 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 year of service on August 1, 2026.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(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, 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. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 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 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$478,130 for fiscal year 2016.

Net Pension Liability

The net pension liability was measured as of June 30, 2015, 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, 2016
(Continued)

Note 8 - Defined Benefit Pension Plans (continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$1,562,774	\$8,789,585	\$10,352,359
Proportion of the Net Pension Liability	0.027388%	0.0318036%	

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, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 8 - Defined Benefit Pension Plans (continued)

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 an arithmetic weighted average 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 long-term expected 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 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 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 (7.75 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.

Changes Between Measurement Date and Report Date In April 2016, the SERS Board adopted a certain assumption changes, which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the School District's net pension liability is expected to be significant.

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 7.75 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 (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 8 - Defined Benefit Pension Plans (continued)

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$2,166,287	\$1,562,774	\$1,053,961

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, 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, 2015, 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:

Asset Class	Target Allocation		Long Term Expected 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	%	

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 8 - Defined Benefit Pension Plans (continued)

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. 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, 2015.

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, 2015.

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	\$12,209,396	\$8,789,585	\$5,897,624

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.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 9 – Postemployment Benefits (continued)

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 2016, 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 2016, this amount was \$23,000. 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 2016, the School District's surcharge obligation was \$29,627.

The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$29,627, \$21,235, and \$8,016 respectively. The full amount has been contributed for fiscal years 2015 and 2014.

State Teachers Retirement System

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health 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 this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. 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 Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2016, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$33,346, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 10 – Debt

The changes in the School District’s long-term obligations during fiscal year 2016 were as follows:

	Amount Outstanding 6/30/2015	Additions	Deletions	Amount Outstanding 6/30/2016	Amount Due in One Year
Governmental Activities					
Refunding 1998 Bond					
Serial and Term Bonds	\$3,475,000	\$0	(\$3,205,000)	\$270,000	\$270,000
Capital Appreciation Bonds	141,294	-	(141,294)	-	-
2006 School Facilities					
Serial and Term Bonds	4,785,000	-	(4,785,000)	-	-
Capital Appreciation Bonds	40,068	-	(21,778)	18,290	18,290
2016 Refunding Bonds					
Serial Bonds	-	7,530,000	-	7,530,000	55,000
Subtotal	8,441,362	7,530,000	(8,153,072)	7,818,290	343,290
Certificates of Participation	315,000	-	(315,000)	-	-
Total	8,756,362	7,530,000	(8,468,072)	7,818,290	343,290

* an additional \$206,928 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.

2007 Classroom Facilities Bonds

On March 7, 2007, the Board of Education issued \$5,425,999 in general obligation bonds to construct a new elementary school and renovate the existing junior high/high school under the State of Ohio Classroom Facilities Assistance Program. The original bonds issue included serial, term, and capital appreciation bonds in the amount of \$575,000, \$4,785,000, and \$65,999, respectively. The 2007 Classroom Facilities Bonds were refunded in 2016.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 10 – Debt (continued)

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 old bonds had interest rates ranging from 4 to 4.25 percent and the new bonds have interest rates ranging from 2 to 4 percent. The net proceeds of \$8,323,056 (after payment of \$1.6 million in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2006 and 2007 bonds. As a result, the 2006 School Improvement Refunding bonds and the 2007 Classroom Facilities bonds are considered to be defeased and the liability for those bonds has been removed from the statement of net assets.

The School District advance refunded the 2006 and 2007 bonds to reduce its total debt service payments by \$958,281 million and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,967,220.

The bonds will be retired with a voted property tax levy received in the debt service fund.

Certificates of Participation Notes

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

The obligation of the School District under the lease and any subsequent lease renewal was subject to the annual appropriation of the rental payments. Legal title to the facilities remained with the Trustee until all payments required under the lease were made. The title transferred to the School District when the lease was paid off in fiscal year 2016.

The School District's overall debt margin was \$3,591,517, the energy conservation debt margin was \$1,020,992 and the un-voted debt margin was \$113,444 at June 30, 2016.

Principal and interest requirements to retire the general obligation bonds and loans outstanding at June 30, 2016, are as follows:

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 10 – Debt (continued)

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$ 343,290	\$ 377,010	\$ 720,300
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
2022-2027	2,225,000	979,900	3,204,900
2028-2032	1,840,000	554,000	2,394,000
2033-2036	1,905,000	189,700	2,094,700
Total	\$ 7,818,290	\$ 3,147,685	\$ 10,965,975

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	\$ -	\$ -	\$ 103,750	\$ 103,750
Athletics	-	-	62,634	62,634
Classroom Maintenance	-	-	298,216	298,216
Capital Improvements	-	-	263,251	263,251
Debt Service	-	1,199,883	-	1,199,883
State and Federal Grants	-	-	39,637	39,637
Total Restricted	-	1,199,883	767,488	1,967,371
Assigned for:				
Uniform School Supplies	576	-	-	576
Unpaid Obligations	185,678	-	-	185,678
Educational Activities	1,542	-	-	1,542
Public School Supprt	49,730	-	-	49,730
Total Assigned	237,526	-	-	237,526
Unassigned	5,691,944	-	-	5,691,944
Total Fund Balance	\$ 5,929,470	\$ 1,199,883	\$ 767,488	\$ 7,896,841

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(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 2016.

	Capital Acquisitions
Set-aside Reserve Balance as of June 30, 2015	\$0
Current Year Set-aside Requirement	146,198
Offsets - Permanent Improvement Levy	(146,198)
Totals	\$0
Set-aside Balances Carried Forward to Future Fiscal Years	\$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 26 public school districts, 2 educational service centers, 2 career centers and 3 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 \$56,173 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, 2016
(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 2016, the School District paid \$631 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 Treasurer, 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.

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

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2016, the School District paid \$0 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Frank DePalma, who serves as Interim Director, at 1250 E. Fifth Street, Dayton, OH 45402.

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.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

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

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.

Midwest Regional Schools Consortium - The Midwest Regional 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.

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 2016, the School District paid \$267,871 to the Consortium. Financial information can be obtained from Mike Elsass, who serves as consultant to the group, Elsass/Hecker CLU's, 131 North Ludlow St., Dayton, Ohio 45402.

Note 14 – Interfund

During fiscal year 2016, the General Fund transferred \$3,902 to the Permanent Improvement fund and \$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, 2016.

Litigation

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

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 15 – Contingent Liabilities (continued)

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 not finalized the impact of enrollment adjustments to the June 30, 2016, Foundation funding for the School District.

Note 16 – Changes in Accounting Principle

For fiscal year 2016, the School District has implemented Governmental Accounting Standard Board (GASB) *Statement No. 72, “Fair Value Measurement and Application.”* This statement addresses accounting and financial reporting issues related to the fair value of investments. This statement had no effect on net assets or fund balances. Additional disclosures required by the statement can be found in the notes to the financial statements.

For fiscal year 2016, the School District has implemented Governmental Accounting Standard Board *Statement No. 73, “Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.”* This establishes requirements for defined benefit pension systems that are not within the scope of GASB Statement 68, as well as for the assets accumulated for purposes of providing those pensions. It also amends certain provisions of GASB Statements 67 and 68. This statement had no effect on net assets or fund balances.

For fiscal year 2016, the School District has implemented Governmental Accounting Standard Board *Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for state and Local Governments.”* This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement had no effect on net assets or fund balances.

For fiscal year 2016, the School District has implemented Governmental Accounting Standard Board *Statement No. 78, “Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans.”* The objective of this statement is to address a practice issue regarding the scope and applicability of Statement 68. This statement had no effect on net assets or fund balances.

For fiscal year 2016, the School District has implemented Governmental Accounting Standard Board and *Statement No. 79, “Certain External Investment Pools and Pool Participants.”* This statement addresses accounting and financial reporting for certain external investment pools and pool participants. This statement had no effect on net assets or fund balances.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

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 fiscal year 2016, 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.

Fort Loramie Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)

This discussion and analysis of the Fort Loramie Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015, within the limitations of the School District's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Using the Basic Financial Statements

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

During fiscal year 2015, the School District implemented GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27," which significantly revised accounting for pension costs and liabilities. While the School District reports on a cash basis, the School District has included information about the net pension liability in its notes to the financial statements in accordance with the Auditor of State's requirements.

Report Components

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

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

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

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a cash basis of accounting.

This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

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

Fort Loramie Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)
(Continued)

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2015, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental activities of the School District at fiscal year-end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other non-financial factors as well such as the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the School District reports governmental activities. Governmental activities are where the School District's basic services are reported, including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The School District has no business-type activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

Fort Loramie Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)
(Continued)

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

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

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2015 compared to fiscal year 2014 on a cash basis:

(Table 1)
Net Position

	Governmental Activities	
	2014 (restated)	2015
Assets		
Equity in Pooled Cash and Cash Equivalents	\$5,371,101	\$6,395,783
Net Position		
Restricted	\$1,476,521	\$1,579,528
Unrestricted	3,894,580	4,816,255
Total Net Position	\$5,371,101	\$6,395,783

Net position of governmental activities increased \$1,024,682 during fiscal year 2015. This followed an increase of \$689,059 for fiscal year 2014. Unrestricted net position increased \$921,675 as a result of general operating receipts exceeding disbursements in the General Fund.

Fort Loramie Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)
(Continued)

Table 2 reflects the changes in net position for fiscal year 2015 and fiscal year 2014.

(Table 2)
Changes in Net Position

	<i>(Restated)</i> Governmental Activities 2014	Governmental Activities 2015
Receipts:		
Program Receipts:		
Charges for Services	\$613,888	\$638,707
Operating Grants and Contributions	368,871	828,356
Total Program Receipts	<u>982,759</u>	<u>1,467,063</u>
General Receipts:		
Property Taxes	2,541,118	2,787,626
Income Taxes	1,812,324	1,831,416
Grants and Entitlements Not Restricted to Specific Programs	4,091,973	3,964,861
Notes Issued	715,000	315,000
All Other Categories	86,591	64,549
Total General Receipts	<u>9,247,006</u>	<u>8,963,452</u>
Total Receipts	<u>10,229,765</u>	<u>10,430,515</u>
Disbursements:		
Instruction	4,440,411	4,595,229
Support Services:		
Pupils and Instructional Staff	716,834	724,071
Board of Education, Administration, Fiscal and Business	850,218	865,228
Operation and Maintenance of Plant	702,806	730,949
Pupil Transportation	340,798	303,482
Central	158,530	100,208
Operation of Non-Instructional Services	305,789	296,523
Extracurricular Activities	424,147	351,761
Debt Service	1,603,151	1,438,382
Total Disbursements	<u>9,542,684</u>	<u>9,405,833</u>
Increase (Decrease) in Net Position	687,081	1,024,682
Net Position, Beginning of Year	<u>4,684,020</u>	<u>5,371,101</u>
Net Position, End of Year	<u><u>\$5,371,101</u></u>	<u><u>\$6,395,783</u></u>

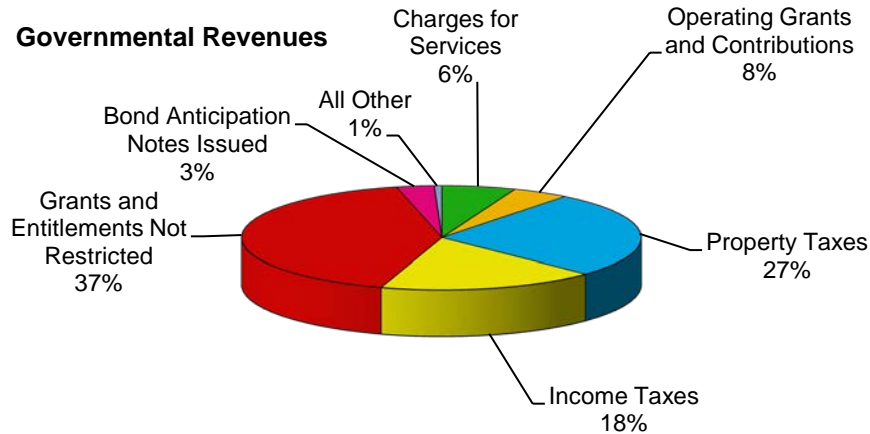
Grants and entitlements not restricted to specific programs decreased \$127,112 for fiscal year 2015 or 3%. State foundation monies along with casino receipts contributed to the f getgcug.

Disbursements decreased as required debt payments decreased \$164,769 or 10%. Instruction increased as the base salary of teachers increased 1.95 percent in fiscal year 2015. The base salary also increased 1.95 percent for non-teaching personnel.

Fort Loramie Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
 (Unaudited)
 (Continued)

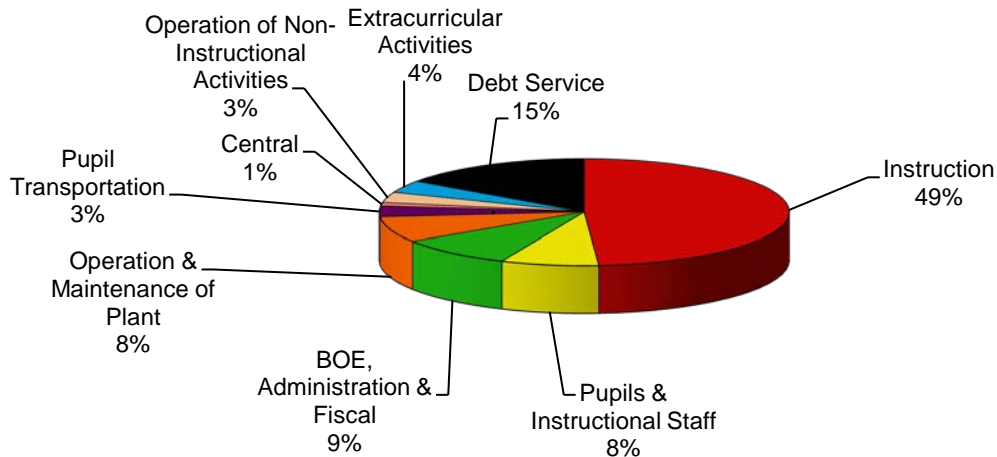
Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for the School District Operations. For fiscal year 2015, property and income taxes make up 45% of the School District's receipts. Grants and entitlements not restricted consists largely of state foundation monies.



Instruction comprises 49% of the School District's disbursements while support services make up 29% of disbursements.

Governmental Expenses



If you look at the statement of activities on page 48, you will see that the first column lists the major services provided by the School District. The next column identifies the costs of providing these services. The next three columns of the statement entitled program cash receipts identify amounts paid by people who are directly charged for the service and grants received by the School District that must be used to provide a specific service. The net receipt (disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

Fort Loramie Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)
(Continued)

(Table 3)

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2014 (restated)</u>	<u>2014 (restated)</u>	<u>2015</u>	<u>2015</u>
Instruction	\$4,440,411	(\$4,134,445)	\$4,595,229	(\$3,868,311)
Support Services:				
Pupils and Instructional Staff	716,834	(515,275)	724,071	(467,975)
Board of Education, Administration, Fiscal and Business	850,218	(849,462)	865,228	(857,664)
Operation and Maintenance of Plant	702,806	(667,120)	730,949	(707,379)
Pupil Transportation	340,798	(339,104)	303,482	(302,226)
Central	158,530	(154,340)	100,208	(96,608)
Operation of Non-Instructional Services	305,789	4,645	296,523	24,229
Extracurricular Activities	424,147	(301,678)	351,761	(224,454)
Debt Service	1,603,151	(1,603,151)	1,438,382	(1,438,382)
Total Disbursements	<u>\$9,542,684</u>	<u>(\$8,559,930)</u>	<u>\$9,405,833</u>	<u>(\$7,938,770)</u>

The dependence upon state foundation and property and income tax receipts is apparent from the large amounts for the net cost of services. Operation of non-instructional services has a positive net cost of service in 2015. This represents the food service program.

The School District's Funds

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

The fund balance of the General Fund increased \$921,675 during fiscal year 2015. This was primarily the result of increases to income tax and state foundation revenues. Expenditures for the General Fund remained consistent with prior years.

The fund balance of Bond Retirement Debt Service Fund increased \$34,879. Property taxes collected for the debt payments were sufficient to cover the annual debt service requirements.

General Fund Budgeting Highlights

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

For the General Fund, the final budget basis revenue estimate was \$7,795,706, \$379,494 lower than original estimated receipts. Estimated receipts were lowered for income taxes and intergovernmental revenues.

During fiscal year 2015, the School District closely monitored expenditures so that expenditures were \$740,100 less than appropriations.

Fort Loramie Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)
(Continued)

Capital Assets and Debt Administration

Capital Assets

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

Debt

At June 30, 2015, the School District had \$8,756,362 in debt outstanding.

Table 4
Outstanding Debt at June 30,

	Amount Outstanding 6/30/2014	Amount Outstanding 6/30/2015	Amount Due in One Year
Governmental Activities			
2006 School Facilities Bond	\$3,764,998	\$ 3,616,294	\$ 141,294
2007 Classroom Facilities Bond	4,850,999	4,825,068	21,778
Certificates of Participation Note	715,000	315,000	315,000
Total Governmental Activities			
Long-Term Liabilities	<u>\$9,330,997</u>	<u>\$ 8,756,362</u>	<u>\$ 478,072</u>

For more information on the School District's debt, see Note 11 of the Basic Financial Statements.

Current Issues

On October 20, 2015, the School District board approved the payment of the certificates of participation notes in the amount of \$315,000.

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

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

Fort Loramie Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)
(Continued)

Contacting the School District's Financial Management

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

Fort Loramie Local School District

Statement of Net Position - Cash Basis

June 30, 2015

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$6,395,783</u>
Net Position	
Restricted for:	
Capital Projects	\$95,288
Debt Service	1,070,467
Other Purposes	413,773
Unrestricted	<u>4,816,255</u>
<i>Total Net Position</i>	<u>\$6,395,783</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, 2015

	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	\$3,741,807	\$90,361	\$22,526	(\$3,628,920)
Special	726,894	-	608,474	(118,420)
Other	126,528	-	5,557	(120,971)
Support Services:				
Pupil	539,966	126,423	114,024	(299,519)
Instructional Staff	184,105	2,759	12,890	(168,456)
Board of Education	18,953	-	-	(18,953)
Administration	583,948	6,808	-	(577,140)
Fiscal	261,583	756	-	(260,827)
Business	744	-	-	(744)
Operation and Maintenance of Plant	730,949	23,570	-	(707,379)
Pupil Transportation	303,482	1,256	-	(302,226)
Central	100,208	-	3,600	(96,608)
Operation of Non-Instructional Services	296,523	264,945	55,807	24,229
Extracurricular Activities	351,761	121,829	5,478	(224,454)
Principal Retirement	1,080,000	-	-	(1,080,000)
Interest and Fiscal Charges	350,854	-	-	(350,854)
Issuance Costs	7,528	-	-	(7,528)
<i>Total Governmental Activities</i>	<u>\$9,405,833</u>	<u>\$638,707</u>	<u>\$828,356</u>	<u>(7,938,770)</u>
General Receipts				
Property Taxes Levied for:				
				1,943,727
General Purposes				38,037
Capital Maintenance				661,321
Debt Service				144,541
Capital Projects				1,831,416
Income Taxes Levied for General Purposes				3,964,861
Grants and Entitlements not Restricted to Specific Programs				6,907
Gifts and Donations not Restricted to Specific Programs				315,000
Bond Anticipation Notes Issued				30,556
Interest				27,086
Miscellaneous				8,963,452
<i>Total General Receipts</i>				<u>1,024,682</u>
Change in Net Position				5,371,101
<i>Net Position Beginning of Year (Restated)</i>				<u>\$6,395,783</u>
<i>Net Position End of Year</i>				<u><u>\$6,395,783</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, 2015

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$4,816,255	\$1,070,467	\$509,061	\$6,395,783
Fund Balances				
Restricted	\$0	\$1,070,467	\$509,061	\$1,579,528
Assigned	360,749	-	-	360,749
Unassigned	4,455,506	-	-	4,455,506
<i>Total Fund Balances</i>	\$4,816,255	\$1,070,467	\$509,061	\$6,395,783

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, 2015

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Receipts				
Property Taxes	\$1,943,727	\$661,321	\$182,578	\$2,787,626
Income Taxes	1,831,416	-	-	1,831,416
Intergovernmental	4,254,494	96,364	407,712	4,758,570
Interest	29,574	-	987	30,561
Tuition and Fees	89,781	-	-	89,781
Rent	4,898	-	-	4,898
Extracurricular Activities	123,019	-	118,109	241,128
Contributions and Donations	36,071	-	5,478	41,549
Charges for Services	3,328	-	280,247	283,575
Miscellaneous	38,565	-	7,846	46,411
<i>Total Receipts</i>	<u>8,354,873</u>	<u>757,685</u>	<u>1,002,957</u>	<u>10,115,515</u>
Disbursements				
Current:				
Instruction:				
Regular	3,719,197	-	22,610	3,741,807
Special	539,894	-	187,000	726,894
Other	126,528	-	-	126,528
Support Services:				
Pupil	455,735	-	84,231	539,966
Instructional Staff	170,254	-	13,851	184,105
Board of Education	18,953	-	-	18,953
Administration	583,948	-	-	583,948
Fiscal	240,624	15,865	5,094	261,583
Business	744	-	-	744
Operation and Maintenance of Plant	674,085	-	56,864	730,949
Pupil Transportation	303,482	-	-	303,482
Central	100,208	-	-	100,208
Operation of Non-Instructional Services	-	-	296,523	296,523
Extracurricular Activities	246,045	-	105,716	351,761
Debt Service:				
Principal Retirement	245,019	365,000	469,981	1,080,000
Interest and Fiscal Charges	-	341,941	8,913	350,854
Issuance Costs	-	-	7,528	7,528
<i>Total Disbursements</i>	<u>7,424,716</u>	<u>722,806</u>	<u>1,258,311</u>	<u>9,405,833</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>930,157</u>	<u>34,879</u>	<u>(255,354)</u>	<u>709,682</u>
Other Financing Sources (Uses)				
Other Notes Issued	-	-	315,000	315,000
Transfers In	-	-	8,482	8,482
Transfers Out	(8,482)	-	-	(8,482)
<i>Total Other Financing Sources (Uses)</i>	<u>(8,482)</u>	<u>-</u>	<u>323,482</u>	<u>315,000</u>
<i>Net Change in Fund Balances</i>	921,675	34,879	68,128	1,024,682
<i>Fund Balances Beginning of Year (Restated)</i>	<u>3,894,580</u>	<u>1,035,588</u>	<u>440,933</u>	<u>5,371,101</u>
<i>Fund Balances End of Year</i>	<u>\$4,816,255</u>	<u>\$1,070,467</u>	<u>\$509,061</u>	<u>\$6,395,783</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, 2015

	<u>BUDGETED AMOUNTS</u>			VARIANCE WITH
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	FINAL BUDGET POSITIVE (NEGATIVE)
Receipts:				
Property Taxes	\$1,755,000	\$1,755,000	\$1,943,727	\$188,727
Income Taxes	1,990,000	1,740,506	1,831,416	90,910
Intergovernmental	4,232,000	4,132,000	4,254,494	122,494
Interest	40,200	40,200	29,574	(10,626)
Tuition and Fees	120,400	120,400	88,077	(32,323)
Contributions and Donations	5,800	5,800	6,907	1,107
Rent	1,000	1,000	4,898	3,898
Miscellaneous	30,800	800	2,361	1,561
Total Revenues	<u>8,175,200</u>	<u>7,795,706</u>	<u>8,161,454</u>	<u>365,748</u>
Disbursements:				
Current:				
Instruction:				
Regular	3,845,977	3,977,109	3,727,745	249,364
Special	641,255	663,606	545,001	118,605
Other	130,000	155,000	149,447	5,553
Support Services:				
Pupils	399,025	420,508	334,836	85,672
Instructional Staff	201,941	208,830	190,040	18,790
Board of Education	20,971	39,204	23,840	15,364
Administration	586,341	617,284	587,299	29,985
Fiscal	220,775	261,118	245,482	15,636
Business	800	800	744	56
Operation and Maintenance of Plant	673,938	805,457	719,243	86,214
Pupil Transportation	345,967	452,570	411,887	40,683
Central	133,520	135,627	103,576	32,051
Extracurricular Activities	324,922	338,985	296,939	42,046
Debt Service:				
Principal Retirement	75,000	245,100	245,019	81
Total Disbursements	<u>7,600,432</u>	<u>8,321,198</u>	<u>7,581,098</u>	<u>740,100</u>
Excess of Receipts Over (Under) Disbursements	574,768	(525,492)	580,356	1,105,848
Other Financing Source (Uses)				
Refund of Prior Year Expenditure	30,500	30,500	31,533	1,033
Advances Out	(5,000)	(5,000)	-	5,000
Transfers Out	(5,000)	(15,000)	(8,482)	6,518
Total Other Financing Sources (Uses)	<u>20,500</u>	<u>10,500</u>	<u>23,051</u>	<u>12,551</u>
Net Change in Fund Balances	595,268	(514,992)	603,407	1,118,399
Fund Balance at Beginning of Year	3,598,779	3,598,779	3,598,779	-
Prior Year Encumbrances Appropriated	253,663	253,663	253,663	-
Fund Balance at End of Year	<u>\$4,447,710</u>	<u>\$3,337,450</u>	<u>\$4,455,849</u>	<u>\$1,118,399</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, 2015

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$3,701	\$50,498
Liabilities		
Due to Students		\$50,498
Net Position		
Held in Trust for Scholarships	3,701	
Total Net Position	\$3,701	

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, 2015

	Private Purpose Trust
Additions	
Gifts and Contributions	\$1,000
Other Revenue	730
Total Additions	1,730
Deductions	
Scholarships	2,200
Change in Net Position	(470)
Net Position - Beginning of Year	4,171
Net Position - End of Year	\$3,701

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, 2015

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 33 non-certificated employees, 55 certificated full-time teaching personnel who provide services to 835 students and other community members. The School District currently operates two instructional/support buildings.

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

A. Primary Government

The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Fort Loramie Local School District, this includes general operations, food service, and student related activities of the School District.

B. Component Units

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. The School District is also financially accountable for any organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in amount to the School District. The School District does not have any component units.

The School District participates in five jointly governed organizations and three insurance purchasing pools. These organizations are discussed in Note 14 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

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

Insurance Purchasing Pools:

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

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(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 modified cash basis of accounting. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

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

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.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(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. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

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

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(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, 2015
(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 2015, the School District invested in certificates of deposit, STAR Ohio, and Federated Government Obligations Money Market Fund. Investments are reported at market value. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes.

STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2015.

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 2015 was \$29,574, which included \$6,168 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 9 and 10, 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.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

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 an other 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, 2015.

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.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

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. 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 – Restatement of Net Position

In the fiscal year 2014 financial statements, the Cheerleaders and Drama Club Funds were inappropriately classified as Special Revenue Funds instead of Agency Funds which resulted in the following effect on net position as reported June 30, 2014:

	Other Governmental Funds – Special <u>Revenue</u>	<u>Agency Fund</u>
Net Position – June 30, 2014	\$459,533	\$42,775
Adjustment	<u>(18,600)</u>	<u>18,600</u>
Restated Net Position – June 30, 2014	\$440,933	\$61,375

Note 4 - Budgetary Basis of Accounting

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

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 4 - Budgetary Basis of Accounting (continued)

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

Cash Basis	\$	921,675
Encumbrances		(291,233)
Perspective Differences		(27,035)
Budgetary Basis	\$	603,407

Note 5 - Deposits and Investments

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

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

Inactive deposits are public deposits 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;

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 5 - Deposits and Investments (continued)

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 \$4,103,797 and the bank balance was \$4,297,053. \$1,059,982 of the School District’s deposits was insured by federal depository insurance. As of June 30, 2015, \$3,237,071 of the School District’s bank balance of \$4,297,053 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 had the following investments at fiscal year-end:

Type of Investment	Maturity Date	Fair Value
Federated Government Obligations Money Market Fund	41 days	\$ 5,020
STAR Ohio	53.4 days	2,341,165
		<u>\$ 2,346,185</u>

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 5 - Deposits and Investments (continued)

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 is 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 the following:

Type of Investment	Percentage
STAR Ohio	99.79%

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 6 - 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 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2014, on the assessed values as of January 1, 2014, 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, 2015
(Continued)

Note 6 - 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, 2015, are available to finance fiscal year 2015 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 2015 taxes were collected are:

	2015 First- Half Collections		2014 Second- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$111,009,020	97.9%	\$91,376,970	97.5%
Public Utility Personal	2,355,620	2.1%	2,270,770	2.5%
Total	<u>\$113,364,640</u>	<u>100.00%</u>	<u>\$93,647,740</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$45.85		\$47.50	

Note 7 - 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 8 - 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 2015, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool (See Note 14).

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:

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 8 - Risk Management (continued)

Building and Contents-replacement cost (\$1,000 deductible)	\$34,242,915
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 14). 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 2015, the School District participated in the Midwest Regional Schools Consortium, an insurance purchasing pool (Note 14). 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 9 - Defined Benefit Pension Plans

Net Pension Liability

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 9 - 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, 2015
(Continued)

Note 9 - 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, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 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 \$115,432 for fiscal year 2015.

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. 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 year of qualifying service credit, or age 55 with 25 years of service, or 30 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 year of service on August 1, 2026.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 9 - 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, 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. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 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 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$510,756 for fiscal year 2015.

Net Pension Liability

The net pension liability was measured as of June 30, 2014, 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, 2015
(Continued)

Note 9 - Defined Benefit Pension Plans (continued)

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$1,507,807	\$7,589,486	\$9,097,293
Proportion of the Net Pension Liability	0.029793%	0.0312023%	

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, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 9 - Defined Benefit Pension Plans (continued)

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 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 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 (7.75 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 7.75 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 (6.75 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	\$2,151,192	\$1,507,807	\$966,664

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 9 - Defined Benefit Pension Plans (continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, 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, 2014, 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:

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, 2014. 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, 2014. 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, 2014.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 9 - Defined Benefit Pension Plans (continued)

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	\$10,865,174	\$7,589,486	\$4,819,353

Note 10 – 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 2015, 0.82 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 2015, this amount was \$20,450. 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 2015, the School District's surcharge obligation was \$15,200.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 10 – Postemployment Benefits (continued)

The School District’s contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$21,235, \$8,028 and \$3,891 respectively. For fiscal year 2015, 25 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

State Teachers Retirement System

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health 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 this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. 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 Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District’s contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$33,346, and \$31,814 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

Note 11 – Debt

The changes in the School District’s long-term obligations during fiscal year 2015 were as follows:

	Amount Outstanding 6/30/14	Additions	Deletions	Amount Outstanding 6/30/15	Amount Due in One Year
Governmental Activities					
2006 School Facilities Issue					
Serial and Term Bonds					
4.00-4.25%	\$ 3,475,000	\$ -	\$ -	\$ 3,475,000	\$ -
Capital Appreciation Bonds					
Original Issue	289,998	-	(148,704)	141,294	141,294
2007 Classroom Facilities Bonds					
Serial and Term Bonds					
4.00-4.25%	4,785,000	-	-	4,785,000	-
Capital Appreciation Bonds					
Original Issue	65,999	-	(25,931) *	40,068	21,778
Subtotal	<u>8,615,997</u>	<u>-</u>	<u>(174,635)</u>	<u>8,441,362</u>	<u>163,072</u>
Certificates of Participation Notes	715,000	315,000	(715,000)	315,000	315,000
Long-Term Liabilities	<u>\$ 9,330,997</u>	<u>\$ 315,000</u>	<u>\$ (889,635)</u>	<u>\$ 8,756,362</u>	<u>\$ 478,072</u>

* an additional \$190,365 of accretion on the bonds are shown on the statements as principal retirement.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 11 – Debt (Continued)

2006 School Improvement Refunding Bonds

On August 22, 2006, the Board of Education issued \$4,909,998 in general obligation bonds for the purpose of refunding the 1998 School Facilities Issue. The original bonds issue included serial, term, and capital appreciation bonds in the amount of \$3,630,000, \$990,000, and \$289,999, respectively. The bonds will be retired with a voted property tax levy received in the debt service fund.

The refunding bonds have interest rates from 4 to 7.1 percent and refunded \$4,910,000 of the 1998 School Facilities general obligation bonds. The refunded general obligation bonds were fully retired on December 1, 2008.

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

Year	Amount to be Redeemed
2024	\$370,000
2025	385,000
2026	235,000

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

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

2007 Classroom Facilities Bonds

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

The term bonds due December 1, 2019, are subject to mandatory sinking fund redemption as follows:

Year	Amount to be Redeemed
2017	\$100,000
2018	100,000

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

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 11 – Debt

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

Year	Amount to be Redeemed
2020	\$110,000

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

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

Year	Amount to be Redeemed
2022	\$120,000

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

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

Year	Amount to be Redeemed
2024	\$130,000

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

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

Year	Amount to be Redeemed
2026	\$315,000

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

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

Year	Amount to be Redeemed
2028	\$340,000

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

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 11 – Debt

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

<u>Year</u>	<u>Amount to be Redeemed</u>
2030	\$370,000
2031	385,000
2032	405,000
2033	420,000
2034	440,000

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

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

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

Certificates of Participation Notes

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

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

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

The School District's overall debt margin was \$1,065,038, the energy conservation debt margin was \$843,593 and the un-voted debt margin was \$93,733 at June 30, 2015.

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 11 – Debt

Principal and interest requirements to retire the general obligation bonds and loans outstanding at June 30, 2015, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds					
	Serial and Term		Capital Appreciation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$0	\$341,940	\$163,072	\$206,928	\$163,072	\$548,868
2017	270,000	336,540	18,290	81,710	288,290	418,250
2018	380,000	323,540	0	0	380,000	323,540
2019	390,000	308,140	0	0	390,000	308,140
2020	410,000	292,064	0	0	410,000	292,064
2021-2025	2,310,000	1,187,033	0	0	2,310,000	1,187,033
2026-2030	2,115,000	701,309	0	0	2,115,000	701,309
2031-2035	2,020,000	299,625	0	0	2,020,000	299,625
2036	365,000	7,756	0	0	365,000	7,756
Total	\$8,260,000	\$3,797,947	\$181,362	\$288,638	\$8,441,362	\$4,086,585

Note 12 – 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 Operations	\$0	\$0	\$51,530	\$51,530
Classroom Maintenance	-	-	305,189	305,189
Athletics	-	-	52,490	52,490
Capital Improvements	-	-	95,288	95,288
Debt Service	-	1,070,467	-	1,070,467
One Net	-	-	3,600	3,600
IDEA Title IV-B Grant	-	-	964	964
Total Restricted	-	1,070,467	509,061	1,579,528
Assigned for:				
Encumbrances	291,233	-	-	291,233
Educational Activities	23,542	-	-	23,542
Uniform School Supplies	342	-	-	342
Public School Supprt	45,632	-	-	45,632
Total Assigned	360,749	-	-	360,749
Unassigned	4,455,506	-	-	4,455,506
Total Fund Balance	\$ 4,816,255	\$ 1,070,467	\$ 509,061	\$ 6,395,783

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 13 – 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 2015.

	Capital Acquisitions
Set-aside Reserve Balance as of June 30, 2014	\$0
Current Year Set-aside Requirement	139,864
Current Year Offsets	(139,864)
Set-aside Balances	\$0
Amount of Set-aside Carried Forward to Future Fiscal Years	\$0

Note 14 - 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 \$53,297 for services provided during the fiscal year. Financial information can be obtained from Louis Ivey, who serves as Director, at 129 E. Court Street, Sidney, Ohio 45365.

Southwestern Ohio Educational Purchasing Council -The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 126 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, 2015
(Continued)

Note 14 - 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 2015, the School District paid \$644 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 the Upper Valley Career Center, 8811 Career Drive, Piqua, Ohio 45356.

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

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

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2015, the School District paid \$691 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Frank DePalma, who serves as Executive Director, at 1250 E. Fifth Street, Dayton, OH 45402.

B. Insurance Purchasing Pools

Ohio School Plan - The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan’s business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, a member of the Harcum-Schuett Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan’s administrator and is responsible for processing claims. Harcum-Schuett Insurance Agency, Inc. serve as the sales and marketing representative which established

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 14 - Jointly Governed Organizations and Insurance Purchasing Pools (continued)

agreements between the Plan and its members. Financial information can be obtained from the Harcum-Schuett Insurance Agency, 46 East Sycamore Street, Columbus, Ohio 43206.

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

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

Each school district pays monthly premiums to the provider, currently Anthem Blue Cross/Blue Shield for health and dental insurance, and Sun Life Financial for life insurance. The Consortium is governed by an administrative committee consisting of the superintendent from each participating district and the service center. The degree of control exercised by any participating school district is limited to its representation on the committee. During fiscal year 2015, the School District paid \$277,394 to the Consortium. Financial information can be obtained from Mike Elsass, who serves as consultant to the group, Elsass/Hecker CLU's, 131 North Ludlow St., Dayton, Ohio 45402.

Note 15 – Interfund

During fiscal year 2015, the General Fund transferred \$5,482 to the Permanent Improvement fund and \$3,000 to the Athletic Fund to provide support needed.

Note 16 – 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, 2015.

Litigation

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

Fort Loramie Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 16 – Contingent Liabilities (continued)

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 not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the School District.

Note 17 – Changes in Accounting Principle

For fiscal year 2015, the School District has implemented Governmental Accounting Standard Board (GASB) *Statement No. 68, “Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement 27”* and *Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date.”* GASB *Statement No. 68* improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. GASB *Statement No. 71*, amends GASB *Statement No. 68* and is effective with the provisions of GASB *Statement No. 68*. The implementation of these statements is described further in Note 7.

Note 18 – Subsequent Event

On October 20, 2015, the School District board approved the payment of the certificates of participation notes in the amount of \$315,000.

On December 21, 2015, the School District board approved the issuance of \$3,205,000 and \$4,785,000 School Improvement Obligation Refunding Bonds to refund a portion of the prior bonds.



Dave Yost • Auditor of State

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

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

To the Board of Education

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the 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, 2016 and 2015 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 May 1, 2017, 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-002 to be a material weakness.

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 matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-001.

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 communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

May 1, 2017

**FORT LORAMIE LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

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 Adm. Code § 117-2-03(B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the School District prepared its financial statements for fiscal year 2016 in accordance with the cash accounting basis. The accompanying financial statements omit assets, liabilities, deferred inflows/outflows, fund equities and disclosures that, while 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 GAAP statements.

The School District should prepare its annual financial statements in accordance with GAAP to include assets, liabilities, deferred inflows/outflows, equity 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.

FINDING NUMBER 2016-002

Accuracy of Financial Reporting – Material Weakness

Procedures and controls should be in place to help prevent and detect errors and provide meaningful information to the users of the School District's financial statements. The following error was identified in the annual financial statements:

- In 2015, General Revenue Grant and Entitlement not specified – Intergovernmental on the Statement of Activities was overstated by \$351,914 for Special Education grant money from the state. It should have been recorded as Program Revenue - Operating Grant and Contributions – Regular.

Financial statement reporting errors inhibit the users' understanding of the financial position at fiscal year-end and the activity during the year. The adjustment is reflected in the accompanying financial statements.

Prior to submitting the annual compilation to the Auditor of State, the School District's Treasurer should review the compilation to identify and correct reporting errors. Resources such as those found on the Auditor of State web site and others pertaining to financial reporting should be utilized when recording financial transactions and reviewing the annual financial statements.

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

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FORT LORAMIE LOCAL SCHOOL DISTRICT

SHELBY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 8, 2017