



**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Graham Local School District
Champaign County
370 East Main
St. Paris, Ohio 43072

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Graham Local School District, Champaign County, (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Graham Local School District, Champaign County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3, during the year ended June 30, 2001, the District adopted Governmental Accounting Statements No. 33, *Accounting and Financial Reporting for Non-exchange Transactions* and No. 36, *Recipient Reporting for Certain Non-exchange Revenues*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District taken as a whole. The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

February 4, 2002

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**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2001**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$440,811	\$408,167	\$616,062	\$209,175
Receivables:				
Taxes	4,218,772	85,948	720,601	271,576
Accounts	2,426			
Intergovernmental		47		
Interfund				
Notes				
Prepaid Items	34,618	390		
Inventory of Supplies and Materials	22,608			
Inventory Held for Resale				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	126,943			
Cash and Cash Equivalents with Escrow Agent				6,833
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
Other Debits:				
Amount Available in General Obligation Bond Retirement Fund				
Amount to be Provided for Retirement of General Long-Term Obligations				
Total Assets and Other Debits	<u>4,846,178</u>	<u>494,552</u>	<u>1,336,663</u>	<u>487,584</u>
Liabilities, Fund Equity and Other Credits:				
Liabilities:				
Accounts Payable	120,907	25,195		39,643
Contracts Payable				5,000
Accrued Wages and Benefits	1,101,705	15,995		
Compensated Absences Payable	13,387			
Intergovernmental Payable	240,448	1,166		
Interfund Payable	677			
Due to Students				
Deferred Revenue	3,774,752	76,375	640,151	245,996
Liabilities Payable from Restricted Assets:				
Retainage Payable				6,833
Energy Conservation Notes Payable				
Asbestos Removal Loan Payable				
General Obligation Bonds Payable				
Total Liabilities	<u>5,251,876</u>	<u>118,731</u>	<u>640,151</u>	<u>297,472</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved				
Fund Balance:				
Reserved for:				
Encumbrances	12,818	30,881		44,606
Inventory of Supplies and Materials	22,608			
Contributions to Non-Expendable Trust				
Property Taxes	444,020	9,620	80,450	25,580
Notes Receivable				
Budget Stabilization	62,155			
Bus Purchases	64,788			
Unreserved:				
Unreserved, Undesignated	<u>(1,012,087)</u>	<u>335,320</u>	<u>616,062</u>	<u>119,926</u>
Total Fund Equity and Other Credits	<u>(405,698)</u>	<u>375,821</u>	<u>696,512</u>	<u>190,112</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$ 4,846,178</u>	<u>\$ 494,552</u>	<u>\$ 1,336,663</u>	<u>\$ 487,584</u>

See Accompanying Notes to the Financial Statements.

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
		General Fixed Asset	General Long-Term Obligation	
Enterprise	Trust and Agency			
\$130,213	\$161,101			\$1,965,529
				5,296,897
576	2,000			5,002
13,000				13,047
677				677
	25,000			25,000
1,309				36,317
2,118				24,726
7,822				7,822
				126,943
				6,833
158,467		\$24,610,001		24,768,468
			\$616,062	616,062
			7,796,423	7,796,423
<u>314,182</u>	<u>188,101</u>	<u>24,610,001</u>	<u>8,412,485</u>	<u>40,689,746</u>
655	2,325			188,725
				5,000
33,649				1,151,349
20,852			1,067,356	1,101,595
29,429	1		92,510	363,554
				677
	27,093			27,093
4,883				4,742,157
				6,833
			65,000	65,000
			63,128	63,128
			7,124,491	7,124,491
<u>89,468</u>	<u>29,419</u>		<u>8,412,485</u>	<u>14,839,602</u>
		24,610,001		24,610,001
198,521				198,521
26,193				26,193
	10,040			98,345
				22,608
	53,725			53,725
				559,670
	25,000			25,000
				62,155
				64,788
	69,917			129,138
<u>224,714</u>	<u>158,682</u>	<u>24,610,001</u>		<u>25,850,144</u>
<u>\$314,182</u>	<u>\$188,101</u>	<u>\$24,610,001</u>	<u>\$8,412,485</u>	<u>\$40,689,746</u>

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FISCAL YEAR ENDED JUNE 30, 2001**

	Governmental Fund Types				Fiduciary	Total
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
Revenues:						
Taxes	\$4,172,508	\$148,258	\$714,846	\$270,099		\$5,305,711
Intergovernmental	7,260,885	423,352	69,140	94,184		7,847,561
Interest	151,418			8,079	\$3,219	162,716
Tuition and Fees	27,719					27,719
Extracurricular Activities		298,309				298,309
Miscellaneous	91,169	16,114		5,992	2,000	115,275
Total Revenues	11,703,699	886,033	783,986	378,354	5,219	13,757,291
Expenditures:						
Current:						
Instruction:						
Regular	5,651,565	54,012				5,705,577
Special	1,191,052	203,113				1,394,165
Vocational	455,654					455,654
Adult/Continuing	2,000	1,509				3,509
Other	219,985					219,985
Support Services:						
Pupils	562,800	232,174				794,974
Instructional Staff	659,582	14,856				674,438
Board of Education	12,473	2,192				14,665
Administration	954,395					954,395
Fiscal	262,569	2,153	17,996			282,718
Business	135,704					135,704
Operation and Maintenance of Plant	1,093,264	60,090				1,153,354
Pupil Transportation	1,008,238					1,008,238
Central	28,049					28,049
Operation of Non-Instructional Services	0	115,931				115,931
Extracurricular Activities	202,317					202,317
Capital Outlay	1,050			988,217		989,267
Debit Service:						
Principal Retirement	32,500		250,000	7,149		289,649
Interest and Fiscal Charges	4,225	2,673	327,960			334,858
Total Expenditures	12,477,422	688,703	595,956	995,366		14,757,447
Excess of Revenues Over (Under) Expenditures	(773,723)	197,330	188,030	(617,012)	5,219	(1,000,156)
Other Financing Sources (Uses):						
Refunds of Prior Year Expenditures	33,699					33,699
Proceeds from Sale of Fixed Assets				63,564		63,564
Total Other Financing Sources (Uses)	33,699			63,564		97,263
Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(740,024)	197,330	188,030	(553,448)	5,219	(902,893)
Fund Balances, Beginning of Year, as restated	341,218	178,491	508,482	743,560	96,782	1,868,533
Decrease in Reserve for Inventory	(6,892)					(6,892)
Fund Balances, End of Year	(\$405,698)	\$375,821	\$696,512	\$190,112	\$102,001	\$958,748

See Accompanying Notes to the Financial Statements.

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**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FISCAL YEAR ENDED JUNE 30, 2001**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance: Favorable/ (Unfavorable)	Revised Budget	Actual	Variance: Favorable/ (Unfavorable)
Revenues:						
Taxes	\$4,386,200	\$4,064,388	(\$321,812)	\$90,000	\$83,157	(\$6,843)
Intergovernmental	6,742,745	7,262,875	520,130	414,840	425,352	10,512
Interest	136,000	163,674	27,674			
Tuition and Fees	10,000	27,719	17,719			
Extracurricular Activities				276,841	298,309	21,468
Gifts and Donations					(225)	(225)
Miscellaneous	36,000	72,569	36,569	25,000	16,339	(8,661)
Total Revenues	11,310,945	11,591,225	280,280	806,681	822,932	16,251
Expenditures:						
Current:						
Instruction:						
Regular	5,591,227	5,589,300	1,927	73,604	60,097	13,507
Special	1,184,247	1,184,039	208	240,271	202,989	37,282
Vocational	469,285	469,083	202	176		176
Adult/Continuing	2,000	2,000		8,527	8,527	
Other	220,664	220,498	166			
Support Services:						
Pupils	590,474	590,214	260	277,569	236,919	40,650
Instructional Staff	733,937	692,222	41,715	31,748	13,842	17,906
Board of Education	11,669	11,629	40	4,396	2,192	2,204
Administration	935,065	934,905	160	3,420		3,420
Fiscal	259,568	259,125	443	2,500	2,153	347
Business	133,558	131,005	2,553			
Operation and Maintenance of Plant	1,065,728	1,065,728		252,170	66,780	185,390
Pupil Transportation	1,019,221	1,019,222	(1)			
Central	27,271	27,271		11,670	11,670	
Extracurricular Activities	192,693	192,692	1	141,356	119,771	21,585
Capital Outlay	8,621	8,621				
Debt Service:						
Principal Retirement	32,500	32,500				
Interest and Fiscal Charges	4,225	4,225				
Total Expenditures	12,481,953	12,434,279	47,674	1,047,407	724,940	322,467
Excess of Revenues Over (Under) Expenditures	(1,171,008)	(843,054)	327,954	(240,726)	97,992	338,718
Other Financing Sources (Uses):						
Refunds of Prior Year Expenditures		33,699	33,699			
Proceeds from Sale of Fixed Assets						
Contingency	(50,000)		50,000			
Advances In	7,027	23,827	16,800			
Total Other Financing Sources (Uses)	(42,973)	57,526	100,499			
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,213,981)	(785,528)	428,453	(240,726)	97,992	338,718
Fund Balances, Beginning of Year	1,231,959	1,231,959		245,692	245,692	
Prior Year Encumbrances Appropriated				12,951	12,951	
Fund Balances, End of Year	\$17,978	\$446,431	\$428,453	\$17,917	\$356,635	\$338,718

See Accompanying Notes to the Financial Statements.

Debt Service Funds			Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance: Favorable/ (Unfavorable)	Revised Budget	Actual	Variance: Favorable/ (Unfavorable)	Revised Budget	Actual	Variance: Favorable/ (Unfavorable)
\$753,100	\$695,166	(\$57,934)	\$281,800	\$263,829	(\$17,971)			
	69,140	69,140	141,408	94,184	(47,224)			
			13,408	10,640	(2,768)	\$4,000	\$4,419	\$419
61,423	61,423			5,992	5,992			
814,523	825,729	11,206	436,616	374,645	(61,971)	4,000	4,419	419
			36,894	36,894				
						7,500	7,500	
			134,770	128,770	6,000			
20,000	17,996	2,004	9,805	7,126	2,679			
			20,595	13,873	6,722			
			27,820	18,268	9,552			
			1,042,637	943,675	98,962			
308,750	308,750		7,149	7,149				
330,633	330,633							
659,383	657,379	2,004	1,279,670	1,155,755	123,915	7,500	7,500	
155,140	168,350	13,210	(843,054)	(781,110)	61,944	(3,500)	(3,081)	419
				63,564	63,564			
				63,564	63,564			
155,140	168,350	13,210	(843,054)	(717,546)	125,508	(3,500)	(3,081)	419
447,712	447,712		426,058	426,058		78,082	78,082	
			416,996	416,996				
<u>\$602,852</u>	<u>\$616,062</u>	<u>\$13,210</u>	<u>\$0</u>	<u>\$125,508</u>	<u>\$125,508</u>	<u>\$74,582</u>	<u>\$75,001</u>	<u>\$419</u>

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNING/FUND BALANCE
PROPRIETARY FUND TYPE AND NON-EXPENDABLE TRUST FUND
FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Proprietary Fund Type</u>	<u>Proprietary Fund Type</u>	<u>Total</u>
	<u>Enterprise</u>	<u>Non-Expendable Trust</u>	<u>(Memorandum Only)</u>
Operating Revenues:			
Sales	\$526,642		\$526,642
Interest		\$2,963	2,963
Other Revenue	417		417
	<u>527,059</u>	<u>2,963</u>	<u>530,022</u>
Total Operating Revenues			
Operating Expenses:			
Salaries	209,310		209,310
Fringe Benefits	68,499		68,499
Purchased Services	12,569		12,569
Supplies and Materials	346,465		346,465
Depreciation	12,249		12,249
Capital Outlay	2,962		2,962
Other	1,225	2,000	3,225
	<u>653,279</u>	<u>2,000</u>	<u>655,279</u>
Total Operating Expenses			
Operating Income (Loss)	<u>(126,220)</u>	<u>963</u>	<u>(125,257)</u>
Non-Operating Revenues/(Expenses):			
Interest	4,883		4,883
Federal and State Subsidies	89,703		89,703
Federal Donated Commodities	35,629		35,629
	<u>130,215</u>		<u>130,215</u>
Total Non-Operating Revenues/(Expenses)			
Net Income	3,995	963	4,958
Retained Earnings/Fund Balance, Beginning of Year, as restated	<u>22,198</u>	<u>55,718</u>	<u>77,916</u>
Retained Earnings/Fund Balance, End of Year	<u>\$26,193</u>	<u>\$56,681</u>	<u>\$82,874</u>

See Accompanying Notes to the Financial Statements.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS)
PROPRIETARY FUND TYPES AND NON-EXPENDABLE TRUST FUND
YEAR ENDED JUNE 30, 2001**

	Enterprise Funds			Non-Expendable Trust		
	Revised Budget	Actual	Variance: Favorable/ (Unfavorable)	Revised Budget	Actual	Variance: Favorable/ (Unfavorable)
Revenues:						
Sales	\$521,592	\$540,666	\$19,074			
Federal and State Subsidies	120,000	99,033	(20,967)			
Interest	3,000	4,883	1,883	\$3,000	\$3,235	\$235
<i>Total Revenues</i>	<u>644,592</u>	<u>644,582</u>	<u>(10)</u>	<u>3,000</u>	<u>3,235</u>	<u>235</u>
Expenses:						
Salaries and Wages	229,093	218,121	10,972			
Fringe Benefits	98,499	94,899	3,600			
Purchased Services	16,030	13,954	2,076			
Materials and Supplies	348,661	315,033	33,628			
Capital Outlay	12,063	2,962	9,101			
Other	837	837		2,000	2,000	
<i>Total Expenses</i>	<u>705,183</u>	<u>645,806</u>	<u>59,377</u>	<u>2,000</u>	<u>2,000</u>	
Excess of Revenues Over (Under) Expenses	<u>(60,591)</u>	<u>(1,224)</u>	<u>59,367</u>	<u>1,000</u>	<u>1,235</u>	<u>235</u>
Fund Equity, Beginning of Year	129,825	129,825		55,446	55,446	
Prior Year Encumbrances Appropriated	58	58				
Fund Equity, End of Year	<u>\$69,292</u>	<u>\$128,659</u>	<u>\$59,367</u>	<u>\$56,446</u>	<u>\$56,681</u>	<u>\$235</u>

See Accompanying Notes to the Financial Statements.

GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY

COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND NON-EXPENDABLE TRUST FUND
FISCAL YEAR ENDED JUND 30, 2001

	Proprietary Fund Type	Proprietary Fund Type	Total
	Enterprise	Non-Expendable Trust	(Memorandum Only)
Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$540,666		\$540,666
Cash Payments for Employee Services and Benefits	(313,020)		(313,020)
Cash Payments to Suppliers for Goods and Services	(330,579)		(330,579)
Other Operating Expenses	(653)	(\$2,000)	(2,653)
Net Cash Provided by (Used for) Operating Activities	(103,586)	(2,000)	(105,586)
Cash Flows from Noncapital Financing Activities:			
Federal and State Subsidies	99,033		99,033
Net Cash Provided by Noncapital Financing Activities	99,033		99,033
Cash Flows from Investing Activities:			
Interest	4,883	3,235	8,118
Net Increase in Cash and Cash Equivalents	330	1,235	1,565
Cash and Cash Equivalents, Beginning of Year	129,883	55,446	185,329
Cash and Cash Equivalents, End of Year	130,213	56,681	186,894
Reconciliation of Operating Income (Loss) to			
Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	(126,220)	963	(125,257)
Adjustments to Reconcile Operating Income (Loss) to			
Net Cash Provided by (Used for) Operating Activities:			
Depreciation	12,249		12,249
Donated Commodities Received	35,629		35,629
Interest Reported as Operating Income		(2,963)	(2,963)
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivables	13,607		13,607
(Increase) Decrease in Prepaids	1,840		1,840
(Increase) Decrease in Supplies Inventory	10,134		10,134
(Increase) Decrease in Inventory Held for Resale	(5,985)		(5,985)
Increase (Decrease) in Accounts Payable	(3,615)		(3,615)
Increase (Decrease) in Accrued Wages Payable	(8,309)		(8,309)
Increase (Decrease) in Intergovernmental Payable	(25,793)		(25,793)
Increase (Decrease) in Deferred Revenue	(4,174)		(4,174)
Increase (Decrease) in Compensated Absences	(2,949)		(2,949)
Net Cash Provided by (Used for) Operating Activities	(\$103,586)	(\$2,000)	(\$105,586)
Reconciliation of Non-Expendable Trust Fund Cash and Cash Equivalents to Balance Sheet:			
All Fiduciary Fund Types		\$161,101	
Less: Agency Funds		(29,419)	
Less: Expendable Trust Fund		(75,001)	
Cash and Cash Equivalents - Non-Expendable Trust Fund		\$56,681	

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Graham 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 consisting of five members elected at-large for staggered four-year terms. The School District provides educational services as authorized by state statute and/or federal guidelines.

The School District was established in 1955 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 189 square miles. It is located in Champaign and Shelby Counties, and includes all of the Villages of Christiansburg, DeGraff, and St. Paris, and portions of Adams, Concord, Harrison, Jackson, Johnson, and Mad River Townships. The School District is the 251st largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by 96 classified employees, 141 certified teaching personnel, and 10 administrative employees who provide services to 2,217 students and other community members. The School District currently operates 5 instructional buildings and an administration building.

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

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

The School District is associated with three jointly governed organizations, an insurance pool and a related organization. These organizations are the Ohio Hi-Point Joint Vocational School, Metropolitan Educational Council, West Central Ohio Special Education Regional Resource Center, Ohio School Boards Association Workers' Compensation Group Rating Plan, and the St. Paris Public Library. These organizations are presented in Notes 21, 22, and 23 to the general purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Graham Local School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories of governmental, proprietary, and fiduciary.

1. Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School Districts expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School Districts governmental fund types:

General Fund

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

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects or expendable trusts) that are legally restricted to expenditure for specified purposes.

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Fund Type:

Proprietary funds are used to account for the School District's ongoing activities, which are similar to those, found in the private sector. The following is the School Districts proprietary fund type:

Enterprise Funds

Enterprise funds are used to account for activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

3. Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School Districts fiduciary funds include expendable trust, non-expendable trust, and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4. Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the School District, except those accounted for in proprietary funds or trust funds.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the School District, except those accounted for in proprietary funds or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and the expendable trust fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The proprietary fund type and the non-expendable trust fund are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include income tax, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income tax is recognized in the fiscal year in which the exchange on which the tax is imposed takes place and revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2001, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2002 operations, have been recorded as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accrual basis of accounting is utilized for reporting purposes by proprietary fund type and the non-expendable trust fund. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund/function for the General Fund and the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

1. Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit, to the Board of Education, a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the Champaign County Budget Commission for rate determination.

2. Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate of estimated resources issued during fiscal year 2001.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources, based on final assessed values and tax rates, or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund/function for the General Fund and the fund level for all other funds, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total fund/function appropriation within the General Fund, or alter the total fund appropriation for all other funds, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations as long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriation resolutions were legally enacted.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

4. Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental fund types and the expendable trust fund and reported in the notes to the financial statements for proprietary fund type and the non-expendable trust fund. The District cancelled all outstanding purchase orders in the general fund, only, at year-end.

5. Lapsing of Appropriations:

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents that are held separately for the School District by an escrow agent are recorded on the combined balance sheet as "Restricted Assets: Cash and Cash Equivalents with Escrow Agent".

During fiscal year 2001, investments were limited to non-negotiable certificates of deposit and STAR Ohio. Non-negotiable certificates of deposit are reported at cost. 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, 2001.

The School District allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year was \$151,418, which included \$110,926 assigned from other School District funds. Interest was also recorded in the capital projects funds (\$8,079), expendable trust fund (\$3,219), enterprise funds (\$4,883) and non-expendable trust fund (\$2,963).

For purposes of the combined statement of cash flows and for presentation of the combined balance sheet, investments of the 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 considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

F. Inventory

Inventory of governmental funds is stated at cost while inventory of proprietary funds is stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in the governmental funds consists of expendable supplies held for consumption. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds, which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventory in the proprietary funds consists of donated food, purchased food, and school supplies held for resale and is expensed when used.

G. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by State statute to be set aside to create a reserve for budget stabilization. Restricted assets also include unexpended revenues restricted for the purchase of school buses.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market value as of the date received. The School District maintains a capitalization threshold of one thousand dollars. The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to proprietary fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary funds is computed using the straight-line method over an estimated useful life of five to twenty years.

I. Interfund Assets/Liabilities

Short-term interfund loans are classified as "Interfund Receivables/Payables".

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after ten years of service with the School District.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as liabilities in the general long-term obligations account group to the extent that they will not be paid with current available expendable resources. Payments made more than sixty days after fiscal year end are considered not to have used current available expendable resources. Long-term notes, loans, and bonds are reported as liabilities in the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate fund.

L. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to the proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at fiscal year end. For the fiscal year ended June 30, 2001, there were no additions to contributed capital.

Because the School District did not prepare financial statements in accordance with accounting principles generally accepted in the United States of America prior to fiscal year 1997, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to the proprietary funds have been classified as retained earnings.

M. Fund Balance Reserves and Designations

The School District reserves those portions of fund equity which are legally segregated for a specific future use of which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for property taxes, notes receivable, inventories of supplies and materials, budget stabilization, bus purchase, contributions to non-expendable trust, and encumbrances.

The reserve for property taxes represents taxes recognized as revenue under accounting principles generally accepted in the United States of America but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures. The designation for budget stabilization represents revenues set aside that exceed statutorily required amounts.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Intergovernmental Revenues

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

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

Entitlements

General Fund

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

Non-Reimbursable Grants

Special Revenue Funds

- ODADAS
- Teacher Development
- Adult Vocational Education
- Education Management Information Systems
- School Net Professional Development
- Safe School Helpline
- Title VI-B
- Title I
- Title VI
- Drug Free
- Title VI-R
- Continuous Improvement Capital Projects Funds
- Classroom Facilities
- School Net Plus
- Technology Equity
- Emergency Building Repair
- Extended Learning Opportunities
- Title II
- Class Size Reduction

Reimbursable Grants

General Fund

- Driver Education

Enterprise Fund

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements were 57 percent of the revenues of the School District's governmental fund types during the 2001 fiscal year.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Advances In/Out in the accompanying Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Budget Basis) do not equal as the monies advanced into the General Fund were from an Agency fund of the District. Agency funds are not mandated to have an annual budget adopted; therefore, budget statements are not reported.

P. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Q. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned 'Totals (Memorandum Only)' to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

3. RESTATEMENT OF FUND BALANCE AND RETAINED EARNINGS/CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2001, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36, "Recipient Reporting for Certain Nonexchange Revenues."

The effect of this change on the excess of revenues and other financing sources over expenditures and the effect on opening fund balances of Special Revenue Fund Type and the effect of this change on the net (loss) and the effect on opening retained earnings of the Enterprise Fund Type are as follows:

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

3. RESTATEMENT OF FUND BALANCE AND RETAINED EARNINGS/CHANGE IN ACCOUNTING PRINCIPLES (Continued)

	<u>Excess/Net (Loss) Previously Reported</u>	<u>Restatement Adjustment</u>	<u>Restated Excess/Net Income Amounts for the Year Ended June 30, 2000</u>
Special Revenue Fund Type	\$104,507	\$1,000	\$105,507
Enterprise Fund Type	\$(26,847)	\$11,030	\$(15,817)

	<u>Fund Balance/Retained Earnings Reported at June 30, 2000</u>	<u>Restatement Adjustment</u>	<u>Restated Fund Balance/ Retained Earnings at June 30, 2000</u>
Special Revenue Fund Type	\$177,491	\$1,000	\$178,491
Enterprise Fund Type	\$42,561	\$11,030	\$53,591

Fixed assets and accumulated depreciation in the Food Service enterprise fund are being restated at June 30, 2000 due to a change in the capitalization threshold and items improperly recorded. The School District raised the dollar amount from two hundred-fifty dollars to one thousand dollars. Assets decreased \$38,160, from \$298,704 to \$260,544, and accumulated depreciation decreased \$6,767, from \$96,595 to \$89,828 as a result of the restatement. Retained earnings in the Food Service fund decreased \$31,393, from \$2,308 to \$(29,085) as of June 30, 2000, resulting in the enterprise funds retained earnings to be restated from \$53,591 to \$22,198.

Fixed assets in the general fixed assets account group are being restated at due to a change in the capitalization threshold and items improperly recorded. Total assets in the general fixed assets account group increased \$83,966, from \$24,662,988 to \$24,746,954 as of June 30, 2000.

4. ACCOUNTABILITY

Fund equity at June 30, 2001, included the following individual fund deficits:

General Fund	\$405,698
Reducing Class Size Fund	99
Classroom Facilities Fund	4,930

The deficits in the Reducing Class Size and Classroom Facilities Fund were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of accounting principles generally accepted in the United States of America (GAAP); the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and Expendable Trust Fund and the Combined Statement of Revenues, Expenses, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - Proprietary Fund Type and Non-Expendable Trust Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

- a. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- b. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- c. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and the expendable trust fund and as note disclosure in the proprietary fund type and non-expendable trust fund (GAAP basis).
- d. The School District repays tax anticipation debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.
- e. The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.
- f. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The following tables summarize the adjustment necessary to reconcile the GAAP and budgetary basis statements by fund type:

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types and Expendable Trust Fund					
	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Expendable Trust Fund
GAAP Basis	(\$740,024)	\$197,330	\$188,030	(\$553,448)	\$5,219
Adjustments:					
Revenue Accruals	(112,474)	(63,101)	41,743	(3,709)	(800)
Expenditure Accruals	43,143	(36,237)	(61,423)	(160,389)	(7,500)
Advances	23,827	0	0	0	0
Budget Basis	<u>(\$785,528)</u>	<u>\$97,992</u>	<u>\$168,350</u>	<u>(\$717,546)</u>	<u>(\$3,081)</u>

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

	Net Income (Loss)/Excess of Revenues Over Expenses Proprietary Fund Type and Non-Expendable Trust Fund	
	Proprietary Fund Type	
	<u>Enterprise</u>	<u>Non-Expendable Trust</u>
GAAP Basis	\$ 3,995	\$ 963
Adjustments:		
Revenue Accruals	117,523	272
Expense Accruals	7,473	0
Donated Commodities	(35,629)	0
Federal and State Subsidies	(89,703)	0
Interest Income	<u>(4,883)</u>	<u>0</u>
Budget Basis	<u>\$ (1,224)</u>	<u>\$1,235</u>

6. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School District into three categories.

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

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

Interim deposits are deposits of interim 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.

Protection of the School District's deposits is provided by the Federal Deposit Insurance-Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

- a. 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;

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

- b. 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;
- c. 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;
- d. Bonds and other obligations of the State of Ohio;
- e. 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; and
- f. The State Treasurer's investment pool (STAR Ohio).
- g. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of interim monies available for investment at any one time.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand: At fiscal year end, the School District had \$250 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$1,276,842 and the bank balance was \$1,693,205. Of the bank balance,

- 1. \$300,000 was covered by federal depository insurance;
- 2. \$285,851 was secured by collateral in the School Districts name held by First Central National Bank, and;
- 3. \$1,107,354 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

Investments: The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the School District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. At June 30, 2001, the fair value of funds on deposit with STAR Ohio was \$822,213.

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classification of cash and cash equivalents and investments on the combined balance sheet and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$2,099,305	
Cash on hand	(250)	0
Investments:		
STAR Ohio	(822,213)	\$822,213
GASB Statement No. 3	\$1,276,842	\$822,213

7. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2001 represent the collection of calendar year 2000 taxes. Real property taxes for 2001 were levied after April 1, 2001, on the assessed values as of January 1, 2001, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2001 were levied after April 1, 2001, on the assessed values as of December 31, 2000, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

7. PROPERTY TAXES (Continued)

Tangible personal property tax revenues received in calendar year 2001 (other than public- utility property) represent the collection of calendar year 2001 taxes. Tangible personal property taxes for 2001 were levied after April 1, 2001, on the value as of December 31, 2000. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Champaign and Shelby Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes that were measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2001, was \$444,020 in the General Fund, \$9,620 in the Classroom Facilities Special Revenue Fund, \$80,450 in the Bond Retirement Debt Service Fund, and \$25,580 in the Permanent Improvement Capital Projects Fund.

The assessed values upon which fiscal year 2001 taxes were collected are:

	2000 Second - Half Collections		2001 First - Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$143,428,700	79.60%	\$147,318,100	80.31%
Public Utility	9,529,500	5.29%	8,218,090	4.48%
Tangible Personal	27,228,468	15.11%	27,902,217	15.21%
Total Assessed Value	<u>\$180,186,668</u>	<u>100.00%</u>	<u>\$183,438,407</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$34.28		\$36.34	

8. RECEIVABLES

Receivables at June 30, 2001, consisted of property taxes, accounts (billings for user charged services and student fees), interfund, and notes receivable. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Accounts receivable at June 30, 2001 were \$5,002.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

8. RECEIVABLES (Continued)

A summary of the principal items of intergovernmental receivables follows:

Special Revenue Fund:	
Alcohol/ Drug Addiction Grant	\$ 47
Enterprise Fund:	
National School Lunch Program	<u>13,000</u>
Total Intergovernmental Receivables	<u>\$13,047</u>

9. NOTES RECEIVABLE

The Brecount Scholarship Non-Expendable Trust Fund was established in 1977 through a probated will. Qualified students apply to borrow funds to pay for the costs of higher education. The loans are interest free. Repayments begin upon obtaining employment and must be paid within ten years.

At June 30, 2001, the balance of outstanding loans was \$25,000.

10. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$244,976
Less Accumulated Depreciation	<u>(86,509)</u>
Net Fixed Assets	<u>\$158,467</u>

A summary of the changes in general fixed assets during fiscal year 2001 follows:

<u>Asset Category</u>	<u>Balance at June 30, 2000 as Restated</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2001</u>
Land and Improvements	\$ 2,088,222	\$ 26,527	\$ 4,500	\$ 2,110,249
Buildings and Improvements	18,539,578	241,333	29,423	18,751,488
Furniture, Fixtures, and Equipment	2,653,939	75,463	416,588	2,312,814
Vehicles	<u>1,465,215</u>	<u>113,099</u>	<u>142,864</u>	<u>1,435,450</u>
Total	<u>\$24,746,954</u>	<u>\$456,422</u>	<u>\$593,375</u>	<u>\$24,610,001</u>

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

11. INTERFUND ASSETS/LIABILITIES

At June 30, 2001, receivables and payables that resulted from various interfund transactions were as follows:

Fund Type/Fund	Receivables	Payables
General Fund	\$ 0	\$677
Enterprise Fund		
Food Service	677	-
Total All Funds	<u>\$677</u>	<u>\$677</u>

12. 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 2001, the School District contracted with Nationwide Insurance for the following insurance coverage:

Building and Contents – replacement cost (\$1,000 deductible)	\$39,379,721
Boiler and Machinery – Per Accident (\$1,000 deductible)	8,139,200
Musical Instruments (\$250 deductible)	120,496
Radio Equipment	5,000
Electronic and Data Processing Equipment (includes software) – (\$250 deductible)	196,109
Automobile Liability	2,000,000
Uninsured Motorists Bodily Injury – Per Accident	1,000,000
Medical Payments per Person	3,000
General Liability – Per Occurrence	2,000,000
Total per Year	5,000,000

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

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

12. RISK MANAGEMENT (Continued)

B. Workers' Compensation

For fiscal year 2001, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. 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 participants is calculated as one experience and a common premium rate is applied to all participants 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 participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

13. CONTRACTUAL COMMITMENTS

As of June 30, 2001, the School District had outstanding contracts for professional services as follows:

Company	Amount Remaining on Contract
GM Mechanical	\$5,000

14. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description. The Graham Local School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SERS, 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Funding Policy. Plan members are required to contribute 9% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's required contributions to SERS for the years ended June 30, 2001, 2000, and 1999 were \$230,072, \$85,410, and \$107,351, respectively; 27.61 percent has been contributed for the fiscal year 2001 and 100 percent for fiscal year 2000 and 1999. \$166,539 represents the unpaid contribution for fiscal year 2001 and is recorded as a liability within the respective funds and the general long-term obligations account group.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

14. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

The Graham Local School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), which is a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for certified teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency wholly controlled, managed and supported in whole, or in part, by the state or any political subdivision thereof. Any member who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age may retire. The maximum annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest years' salaries. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached.

For members with 35 or more years of earned Ohio service, the first 30 years will be calculated at 2.5% instead of 2.2%.

Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or other Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

Retirement benefits are annually increased by the greater of the amount of the change in the Consumer Price Index (CPI) or the cumulative CPI increases since retirement, less previous cost-of-living increases, up to a maximum of 3% of the original base benefit. The plan offers access to health care benefits for retirees and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums.

A member with five or more years' credited service who becomes disabled is entitled to a disability benefit. Eligible spouses and dependents of active members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member. Additional death benefit coverage of \$1,000 or \$2,000 can be purchased. Various other benefits are available to members' beneficiaries.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

14. DEFINED BENEFIT PENSION PLANS (Continued)

Benefits are established by Chapter 3307, Revised Code.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contributions rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2001, were 9.3% of covered payroll for members and 14% for employers. The School District's required contributions to STRS Ohio for the years ended June 30, 2001, 2000, and 1999 were \$951,006, \$318,879, and \$334,192, respectively; 82.86 percent has been contributed for the fiscal year 2001 and 100 percent for fiscal year 2000 and 1999. \$162,968 represents the unpaid contribution for fiscal year 2001 and is recorded as a liability within the respective funds.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2001 *Comprehensive Annual Financial Report* will be available after January 1, 2002, and can be requested by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, or by calling (614) 227-4090.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2001, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid. The remaining members of the board have elected SERS.

15. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2001, the healthcare allocation is 9.80%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2001, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$167,554.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

15. POSTEMPLOYMENT BENEFITS (Continued)

A. School Employees Retirement System (Continued)

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2001 were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001 the Retirement System's net assets available for payment of health care benefits was \$315.7 million. The number of benefit recipients currently receiving health care benefits is approximately 50,000.

B. State Teachers Retirement System

State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care benefits for retirees and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code (R.C.), the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of monthly premiums.

The R.C. grants authority to STRS Ohio to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS Ohio shall be included in the employer contribution rate, currently 14% of covered payroll. For the School District, this amount equaled \$305,681 for fiscal year 2001.

The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 30, 2001, the board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.256 billion on June 30, 2001. For the year ended June 30, 2001, net health care costs paid by STRS Ohio were \$300,772,000. There were 102,132 eligible benefit recipients.

16. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components is derived from negotiated agreements and State laws. Classified employees earn up to twenty days of vacation per fiscal year, depending upon length of service. Administrators earn up to twenty days of vacation per contract year. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred days for classified employees and two hundred twenty days for certified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of fifty days for classified employees and fifty-five days for certified employees.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

16. OTHER EMPLOYEE BENEFITS (Continued)

B. Health Care Benefits

The School District provides health insurance and prescription drug benefits through Anthem Blue Cross Blue Shield. Vision insurance is provided through Vision Service Plan, Inc. and life and dental insurance are provided through Core Source. The premiums for health and dental insurance vary with each employee depending on marital and family status. Premiums for vision and life insurance are a set fee per employee covered.

17. NOTES PAYABLE

On March 15, 1996, the School District issued \$392,750 in tax anticipation notes for the St. Paris Public Library. The notes have an interest rate of 4.55 percent and mature over a five-year period. During fiscal year 2001, principal, in the amount of \$58,750, was paid from the Library Debt Service Fund. The notes were paid in full at June 30, 2001.

18. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	<u>Amount Outstanding 6/30/00</u>	<u>Additions</u>	<u>Reductions</u>	<u>Amount Outstanding 6/30/01</u>
General Long-Term Obligations:				
Energy Conservation Notes - 5.20%	\$97,500	\$ 0	32,500	65,000
Asbestos Removal Loan - 0.0%	70,277	0	7,149	63,128
General Obligation Bonds:				
1998 School Facilities Issue Serial and Term Bonds 3.75 – 5.0%	7,070,000	0	250,000	6,820,000
Capital Appreciation Bonds 5 – 5.05%	<u>282,265</u>	<u>22,226</u>	<u>0</u>	<u>304,491</u>
Total General Obligation Debt	<u>\$7,520,042</u>	<u>22,226</u>	<u>289,649</u>	<u>7,252,619</u>
Other Long-Term Obligations:				
Compensated Absences Payable	1,077,142	0	9,786	1,067,356
Intergovernmental Payable	<u>69,309</u>	<u>92,510</u>	<u>69,309</u>	<u>92,510</u>
Total Other Long-Term Obligations	<u>1,146,451</u>	<u>92,510</u>	<u>79,095</u>	<u>1,159,866</u>
Total General Long-Term Obligations	<u>\$8,666,493</u>	<u>\$114,736</u>	<u>\$368,744</u>	<u>\$8,412,485</u>

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

18. LONG-TERM OBLIGATIONS (Continued)

A. Energy Conservation Notes

In fiscal year 1993, the School District issued \$325,000 in unvoted general obligation notes for providing energy conservation measures for the School District. The notes were issued under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372 for a ten-year period, with final maturity during fiscal year 2003. The notes are being retired from the General Fund.

B. Asbestos Removal Loan

On May 17, 1991, the School District obtained a loan, in the amount of \$128,683, for providing asbestos removal. The loan was obtained for a twenty-year period, with final maturity during fiscal year 2011. The loan is being retired from the Permanent Improvement Capital Projects Fund.

C. 1998 School Facilities Bonds

On May 1, 1998, the School District issued \$7,735,000 in voted general obligation bonds for construction, improvement, and renovation of school facilities. The bond issue included serial, term, and capital appreciation bonds in the amount of \$3,840,000, \$3,660,000, and \$235,000, respectively. The bonds were issued for a twenty-three year period, with final maturity during fiscal year 2021. The bonds are being retired from the Bond Retirement debt service fund.

The term bonds maturing on December 1, 2020, are subject to mandatory sinking fund redemption, in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, in each of the years 2013 through 2019 (with the balance of \$450,000 to be paid at stated maturity on December 1, 2020), at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2013	\$400,000	2017	\$485,000
2014	420,000	2018	500,000
2015	440,000	2019	500,000
2016	465,000		

Current serial bonds redeemed by other than mandatory redemption, or purchased for cancellation, may be credited against the applicable mandatory redemption requirement.

The serial and term bonds maturing on December 1, 2009, 2010, and 2020 are subject to prior redemption on or after December 1, 2008, by and at the sole option of the School District, either in whole or in part (as selected by the School District) on any date and in integral multiples of \$5,000, at the following redemption prices (expressed as percentages of the principal amount redeemed), plus accrued interest to the redemption date:

<u>Redemption Dates (Dates Inclusive)</u>	<u>Redemption Prices</u>
December 1, 2008 through November 30, 2009	101.0
December 1, 2009 through November 30, 2010	100.5
December 1, 2010 and thereafter	100.0

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

18. LONG-TERM OBLIGATIONS (Continued)

The capital appreciation bonds will mature in 2012 and 2013. The maturity amount of the bonds is \$800,000. For fiscal year 2001, \$22,226 was accreted for a total bond value of \$304,491.

Compensated absences and intergovernmental payables, representing the School District's contractually required pension contributions, will be paid from the fund from which the employees' salaries are paid.

The School District's overall debt margin was \$9,605,477 with an unvoted debt margin of \$183,438 at June 30, 2001.

Principal and interest requirements to retire outstanding general obligation debt at June 30, 2001, were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$369,141	\$319,975	\$689,116
2003	309,649	307,220	616,869
2004	287,149	294,755	581,904
2005	302,149	282,463	584,612
2006	312,149	269,410	581,559
2007-2011	1,777,382	1,122,825	2,900,207
2012-2016	1,495,000	1,387,500	2,882,500
2017-2021	<u>2,400,000</u>	<u>299,250</u>	<u>2,699,250</u>
	<u>\$7,252,619</u>	<u>\$4,283,398</u>	<u>\$11,536,017</u>

In fiscal year 1998, the School District was awarded \$11,015,190 for improvements to its facilities under the State's "Classroom Facilities Program". Under this program, the School District entered into an agreement with the State of Ohio in which the State paid for a portion of the estimated project costs. Additionally, the School District was required to issue bonds, and levy a property tax for the payment of those bonds, for the School District's portion of construction and maintenance costs. Any funds provided by the State Classroom Facilities Commission, in excess of construction-costs, shall be returned to the Commission. Any funds remaining from the issuance of the bonds, in excess of construction costs, must be used solely for maintaining the constructed facilities. The constructed facilities must be used for school purposes as long as the Commission retains any interest in the project, or for a period of twenty-three years, whichever is less.

19. SET ASIDE REQUIREMENTS

The following table represents the School District's set-aside calculations for textbooks and capital acquisition. Although the School District had qualifying offsets and disbursements during the year that reduced the set-aside amount below zero for capital acquisitions, these extra amounts may not be used to reduce the set-aside requirement for future years. Excess disbursements related to the textbook reserve may be carried forward from year to year.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

19. SET ASIDE REQUIREMENTS (Continued)

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of June 30, 2000	\$(33,732)	\$(78,436)	\$147,389
Current Year Set-aside Requirement	231,499	231,499	77,166
Senate Bill 345 Adjustment	0	0	(162,400)
Current Year Offsets	0	(315,422)	0
Qualifying Disbursements	<u>(266,549)</u>	<u>(491,108)</u>	<u>0</u>
Total	<u>(68,782)</u>	<u>(653,467)</u>	<u>\$ 62,155</u>
Balance Carried Forward to FY 2002	<u>\$(68,782)</u>	<u>\$ 0</u>	

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended ORC Section 5705.29 effectively eliminating the requirement for the School District to establish and maintain a budget stabilization reserve. The portion of monies which had previously accumulated in the budget stabilization reserve that were not related to workers' compensation rebates received by the School District, are now available for ordinary operating costs incurred by the District and therefore are reported as unreserved and undesignated fund balance in the General Fund. Current State statute requires school district to continue reporting funds received that were related to workers' compensation rebates in the budget stabilization reserve. Restrictions exist as to the manner in which these funds may be spent. Therefore, \$62,155 of the budget stabilization reserve related to the workers' compensation rebates is shown on the School District's balance sheet as a reservation of fund balance and restricted "equity in pooled cash and cash equivalents" in the General Fund.

20. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains three enterprise funds to account for the operations of food service, uniform school supplies, and adult education. The table below reflects the more significant financial data relating to the enterprise funds of the Graham Local School District as of and for the fiscal year ended June 30, 2001.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Adult Education</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$445,345	\$79,779	\$1,935	\$527,059
Depreciation Expense	12,249	0	0	12,249
Operating Income (Loss)	(111,253)	(15,354)	387	(126,220)
Federal Donated Commodities	35,629	0	0	35,629
Non-Operating Grants	89,703	0	0	89,703
Net Income (Loss)	18,962	(15,354)	387	3,995
Contributed Capital	198,521	0	0	198,521
Net Working Capital	24,526	23,932	1,354	49,812
Total Assets	288,890	23,932	1,360	314,182
Total Retained Earnings	907	23,932	1,354	26,193
Encumbrances Outstanding at Year End (Budget Basis)	1,554	0	0	1,554

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

21. JOINTLY GOVERNED ORGANIZATIONS

Ohio Hi-Point Joint Vocational School – The Ohio Hi-Point Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio which provides vocational education. The JVS operates under the direction of a Board consisting of one representative from each participating School Districts elected board. The Board possesses its own budgeting and taxing authority. The degree of control exercised by the School District is limited to its representation on the Board. Financial information can be obtained from Eric Adelsberger, who serves as Treasurer, 2280 State Route 540, Bellefontaine, Ohio 43311.

Metropolitan Educational Council – The Metropolitan Educational Council (the MEC) is a purchasing cooperative made up of one hundred twenty-four school districts in twenty-two counties. The purpose of the MEC is to obtain prices for quality merchandise and services commonly used by school districts. The governing board of the MEC consists of one representative from each member school district. All member school districts must pay all fees, charges, or other assessments as established by the MEC. Financial information can be obtained from the Metropolitan Educational Council, Elmo Kallner, who serves as Director, 6100 Channingway Boulevard, Suite 604, Columbus, Ohio 43232.

West Central Ohio Special Education Regional Resource Center – The West Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-two member board consisting of the superintendent from the fifty participating members, one representative from a non-public school, and one representative from Wright State University. The degree of control exercised by any participating members is limited to its representation on the Board. Financial information can be obtained from Krista Hart, Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

22. INSURANCE POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating-Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

23. RELATED ORGANIZATION

St. Paris Public Library – The St. Paris Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Graham Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District serves as the taxing authority and the School District issued tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the St. Paris Public Library, Diane Kremer, Clerk/Treasurer, P.O. Box 740, St. Paris, Ohio 43072.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

24. STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification of the plan is to be considered constitutional; including:

- a. A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- b. Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State finding for most Ohio school districts. However, as of February 4, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

25. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

B. Litigation

The School District is party to legal proceedings. The School District is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001**

<u>Federal Grantor/ Pass Through Grantor Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
U.S. DEPARTMENT OF AGRICULTURE						
(Passed through Ohio Department of Education)						
Nutrition Cluster:						
Food Distribution Program		10.550		\$31,456		\$34,720
National School Lunch Program	LL - P1&P4 2000	10.555	\$21,659		\$21,659	
	LL - P1&P4 2001		72,883		72,883	
Total National School Lunch Program			<u>94,542</u>		<u>94,542</u>	
Total Nutrition Cluster			94,542	31,456	94,542	34,720
U.S. DEPARTMENT OF EDUCATION						
(Passed through Ohio Department of Education)						
Grants to Local Educational Agencies (ESEA Title 1)	C1-S1 2001	84.010	1,000		21,690	
Total Grants to Local Educational Agencies			<u>124,991</u>		<u>88,899</u>	
Special Education Grants to States (IDEA Part B)	6B - SF 2001	84.027	141,427		141,427	
Eisenhower Professional Development Grant	MS-S1 2001	84.281	6,903		6,903	
Innovative Education Program Strategies	CS - S1 2001	84.298	10,673		9,734	
Class Size Reduction	CR - S1 2001	84.340	27,489		27,489	
Drug-Free Schools Grant	DR - S1 2001	84.186	8,896		6,890	
(Passed through Champaign County ADAMHS Board)						
Drug-Free Schools Grant			<u>25,000</u>		<u>22,180</u>	
Total Drug-Free Schools Grant			<u>33,896</u>		<u>29,930</u>	
Total U.S. Department of Education			346,379		326,072	
U.S. DEPARTMENT OF LABOR						
(Passed through Sinclair Community College)						
School to Work		17.249	<u>5,230</u>		<u>7,027</u>	
Total Federal Assistance			<u>\$446,151</u>	<u>\$31,456</u>	<u>\$427,641</u>	<u>\$34,720</u>

The accompanying notes to this schedule are an integral part of this schedule.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - NUTRITION CLUSTER

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State Grants and local funds. It is assumed federal monies are expended first.

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District complied with the matching requirements. The expenditures of non-Federal matching funds is not included on the Schedule.

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL
CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Graham Local School District
Champaign County
370 East Main
St. Paris, Ohio 43072

To the Board of Education:

We have audited the financial statements of Graham Local School District, Champaign County (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated February 4, 2002, wherein we noted that the District implemented GASB 33 and 36. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated February 4, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 4, 2002.

Graham Local School District
Champaign County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

February 4, 2002



STATE OF OHIO
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JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Graham Local School District
Champaign County
370 East Main
St. Paris, Ohio 43072

To the Board of Education:

Compliance

We have audited the compliance of Graham Local School District, Champaign County (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2001. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Graham Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

**Internal Control Over Compliance
(Continued)**

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, Board of Education and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

February 4, 2002

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA# 84.027 - Special Education Grants to States (IDEA Part B)
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2001**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: <i>Explain:</i>
2000-10311-001	Ohio Rev. Code Section 5705.41(D) - Fiscal Officers Certification	Yes	N/A
2000-10311-002	Fixed Assets not properly recorded.	Yes	N/A



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GRAHAM LOCAL SCHOOL DISTRICT

CHAMPAIGN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 28, 2002**