



**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



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
P.O. Box 910
St. Paris, Ohio 43072

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Graham Local School District, Champaign County, (the District) as of and for the year ended June 30, 2000, 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 generally accepted auditing standards 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 the District, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2001 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 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 general-purpose 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

March 9, 2001

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**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,011,898	\$258,652	\$447,712	\$845,615
Receivables:				
Property Taxes	4,151,943	146,296	710,171	268,811
Accounts	869	386		
Intergovernmental	4,776	1,000		
Accrued Interest				
Interfund	7,027			
Notes				
Prepaid Items	83,271	939		
Inventory Held for Resale				
Materials and Supplies Inventory	29,500			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	230,157			
Cash and Cash Equivalents with Escrow Agent		331		271,903
Fixed Assets (net, where applicable, of accumulated depreciation)				
Other Debits:				
Amount Available in Debt Service				
Fund for Retirement of General Long-Term Obligations				
Amount to be Provided from General Governmental Resources				
Total Assets and Other Debits	<u>5,519,441</u>	<u>407,604</u>	<u>1,157,883</u>	<u>1,386,329</u>
Liabilities, Fund Equity, and Other Credits:				
Liabilities:				
Accounts Payable	51,635	6,290		24,122
Contracts Payable	7,500			97,243
Accrued Wages and Benefits	1,062,999	16,415		
Compensated Absences Payable	4,244			
Intergovernmental Payable	234,256	946		
Interfund Payable	677	7,027		
Deferred Revenue	3,816,912	139,026	649,401	249,501
Due to Students				
Accrued Interest Payable		1,328		
Notes Payable		58,750		
Liabilities Payable from Restricted Assets:				
Retainage Payable		331		271,903
Energy Conservation Notes Payable				
Asbestos Removal Loan Payable				
General Obligation Bonds Payable				
Total Liabilities	<u>5,178,223</u>	<u>230,113</u>	<u>649,401</u>	<u>642,769</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings				
Contributed Capital				
Fund Balance:				
Reserved for Property Taxes	335,900	7,270	60,770	19,310
Reserved for Notes Receivable				
Reserved for Inventory	29,500			
Reserved for Budget Stabilization	147,389			
Reserved for Bus Purchase	82,768			
Reserved for Contributions				
Reserved for Encumbrances		6,925		305,587
Designated for Budget Stabilization	69,789			
Unreserved, Undesignated (Deficit)	<u>(324,128)</u>	<u>163,296</u>	<u>447,712</u>	<u>418,663</u>
Total Fund Equity and Other Credits	<u>341,218</u>	<u>177,491</u>	<u>508,482</u>	<u>743,560</u>
Total Liabilities, Fund Equity, and Other Credits	<u>\$5,519,441</u>	<u>\$407,604</u>	<u>\$1,157,883</u>	<u>\$1,386,329</u>

See Accompanying Notes to the General Purpose Financial Statements.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$129,883	\$166,111			\$2,859,871
				5,277,221
14,183				15,438
11,300				17,076
	272			272
677				7,704
	17,500			17,500
3,149				87,359
12,252				12,252
1,837				31,337
				230,157
				272,234
202,109		\$24,662,988		24,865,097
			\$508,482	508,482
			8,158,011	8,158,011
<u>375,390</u>	<u>183,883</u>	<u>24,662,988</u>	<u>8,666,493</u>	<u>42,360,011</u>
4,270				86,317
				104,743
41,958				1,121,372
23,801			1,077,142	1,105,187
55,222			69,309	359,733
				7,704
9,057				4,863,897
	31,383			31,383
				1,328
				58,750
				272,234
			97,500	97,500
			70,277	70,277
			7,352,265	7,352,265
<u>134,308</u>	<u>31,383</u>		<u>8,666,493</u>	<u>15,532,690</u>
		24,662,988		24,662,988
42,561				42,561
198,521				198,521
				423,250
	17,500			17,500
				29,500
				147,389
				82,768
	53,725			53,725
				312,512
				69,789
	81,275			786,818
<u>241,082</u>	<u>152,500</u>	<u>24,662,988</u>		<u>26,827,321</u>
<u>\$375,390</u>	<u>\$183,883</u>	<u>\$24,662,988</u>	<u>\$8,666,493</u>	<u>\$42,360,011</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
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Property Taxes	\$4,054,222	\$146,855	\$692,005	\$262,786		\$5,155,868
Intergovernmental	6,728,880	388,577	71,208	1,574,770		8,763,435
Interest	135,068			158,294	\$4,273	297,635
Tuition and Fees	6,906					6,906
Extracurricular Activities		254,429				254,429
Gifts and Donations	12,000	13,546		300		25,846
Miscellaneous	40,160	192				40,352
Total Revenues	<u>10,977,236</u>	<u>803,599</u>	<u>763,213</u>	<u>1,996,150</u>	<u>4,273</u>	<u>14,544,471</u>
Expenditures:						
Current:						
Instruction:						
Regular	5,237,934	43,742				5,281,676
Special	972,186	210,194				1,182,380
Vocational	419,247					419,247
Adult/Continuing	500	26,242				26,742
Other	46,193					46,193
Support Services:						
Pupils	601,805	171,617				773,422
Instructional Staff	611,256	45,908				657,164
Board of Education	9,142					9,142
Administration	973,149	189				973,338
Fiscal	271,723	2,141	17,902			291,766
Business	125,837					125,837
Operation and Maintenance of Plant	923,089	39,676				962,765
Pupil Transportation	895,575					895,575
Central	54,303	7,430				61,733
Extracurricular Activities	209,996	147,076				357,072
Capital Outlay	29,291			7,758,864		7,788,155
Debt Service:						
Principal Retirement	32,500		235,000	7,149		274,649
Interest and Fiscal Charges	5,915	4,877	337,668			348,460
Total Expenditures	<u>11,419,641</u>	<u>699,092</u>	<u>590,570</u>	<u>7,766,013</u>		<u>20,475,316</u>
Excess of Revenues Over (Under) Expenditures	(442,405)	104,507	172,643	(5,769,863)	4,273	(5,930,845)
Fund Balances at Beginning of Year	769,613	72,984	335,839	6,513,423	92,509	7,784,368
Increase in Reserve for Inventory	14,010					14,010
Fund Balances at End of Year	<u>\$341,218</u>	<u>\$177,491</u>	<u>\$508,482</u>	<u>\$743,560</u>	<u>\$96,782</u>	<u>\$1,867,533</u>

See Accompanying Notes to the General Purpose Financial Statements.

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**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	General Fund			Special Revenue Funds			Debt Service Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:									
Property Taxes	\$4,218,038	\$4,023,832	(\$194,206)	\$86,040	\$82,053	(\$3,987)	\$781,903	\$750,205	(\$31,698)
Intergovernmental	6,531,868	6,726,890	195,022	390,618	387,577	(3,041)	98,259	71,208	(27,051)
Interest	119,895	123,489	3,594						
Tuition and Fees	11,176	11,512	336						
Extracurricular Activities				254,153	254,443	290			
Gifts and Donations	12,000	12,000		13,446	13,546	100			
Miscellaneous	37,374	39,238	1,864	230	230				
Total Revenues	10,930,351	10,936,961	6,610	744,487	737,849	(6,638)	880,162	821,413	(58,749)
Expenditures:									
Current:									
Instruction:									
Regular	5,173,475	5,157,413	16,062	45,556	45,555	1			
Special	997,216	978,535	18,681	248,324	227,889	20,435			
Vocational	394,535	391,411	3,124	176		176			
Adult/Continuing				36,602	28,742	7,860			
Other	45,208	45,208							
Support Services:									
Pupils	600,597	572,352	28,245	197,455	174,032	23,423			
Instructional Staff	705,197	594,115	111,082	30,873	30,618	255			
Board of Education	16,600	10,619	5,981	2,198		2,198			
Administration	979,132	980,697	(1,565)	189	189				
Fiscal	276,331	276,017	314	5,000	2,141	2,859	18,000	17,902	98
Business	130,197	125,673	4,524						
Operation and Maintenance of Plant	984,370	956,283	28,087	144,000	43,846	100,154			
Pupil Transportation	979,531	887,580	91,951						
Central	61,132	59,149	1,983	11,013	7,430	3,583			
Extracurricular Activities	210,514	209,677	837	168,000	151,663	16,337			
Capital Outlay	29,670	21,720	7,950						
Debt Service:									
Principal Retirement	32,500	32,500					293,750	293,750	
Interest and Fiscal Charges	5,915	5,915					343,014	343,014	
Total Expenditures	11,622,120	11,304,864	317,256	889,386	712,105	177,281	654,764	654,666	98
Excess of Revenues Over (Under) Expenditures	(691,769)	(367,903)	323,866	(144,899)	25,744	170,643	225,398	166,747	(58,651)
Other Financing Sources (Uses):									
Refund of Prior Year Expenditures	1,384	1,426	42						
Other Financing Uses	(58,283)		58,283						
Advances In	57,248	111,801	54,553		7,027	7,027			
Advances Out	(7,027)	(7,027)		(8,963)	(8,963)				
Total Other Financing Sources (Uses)	(6,678)	106,200	112,878	(8,963)	(1,936)	7,027			
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(698,447)	(261,703)	436,744	(153,862)	23,808	177,670	225,398	166,747	(58,651)
Fund Balances at Beginning of Year	1,294,566	1,294,566		198,120	198,120		280,965	280,965	
Prior Year Encumbrances Appropriated	199,096	199,096		23,764	23,764				
Fund Balances at End of Year	\$795,215	\$1,231,959	\$436,744	\$68,022	\$245,692	\$177,670	\$506,363	\$447,712	(\$58,651)

See Accompanying Notes to the General Purpose Financial Statements.

Capital Projects Funds			Expendable Trust Fund			Totals (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$266,699	\$260,909	(\$5,790)				\$5,352,680	\$5,116,999	(\$235,681)
1,286,638	1,574,770	288,132				8,307,383	8,760,445	453,062
155,733	155,733		\$3,073	\$3,073		278,701	282,295	3,594
						11,176	11,512	336
						254,153	254,443	290
300	300					25,746	25,846	100
						37,604	39,468	1,864
<u>1,709,370</u>	<u>1,991,712</u>	<u>282,342</u>	<u>3,073</u>	<u>3,073</u>		<u>14,267,443</u>	<u>14,491,008</u>	<u>223,565</u>
						5,219,031	5,202,968	16,063
						1,245,540	1,181,961	63,579
			7,500	7,500		394,711	415,874	(21,163)
						44,102	36,242	7,860
						45,208	45,208	
						798,052	746,384	51,668
						736,070	624,733	111,337
						18,798	10,619	8,179
						979,321	980,886	(1,565)
						299,331	296,060	3,271
						130,197	125,673	4,524
						1,128,370	1,000,129	128,241
						979,531	887,580	91,951
						72,145	66,579	5,566
						378,514	361,340	17,174
10,168,067	10,089,023	79,044				10,197,737	10,110,743	86,994
7,149	7,149					333,399	333,399	
						348,929	348,929	
<u>10,175,216</u>	<u>10,096,172</u>	<u>79,044</u>	<u>7,500</u>	<u>7,500</u>		<u>23,348,986</u>	<u>22,775,307</u>	<u>573,679</u>
(8,465,846)	(8,104,460)	361,386	(4,427)	(4,427)		(9,081,543)	(8,284,299)	797,244
						1,384	1,426	42
						(58,283)		58,283
						57,248	118,828	61,580
<u>(50,001)</u>	<u>(102,838)</u>	<u>(52,837)</u>				<u>(65,991)</u>	<u>(118,828)</u>	<u>(52,837)</u>
<u>(50,001)</u>	<u>(102,838)</u>	<u>(52,837)</u>				<u>(65,642)</u>	<u>1,426</u>	<u>67,068</u>
(8,515,847)	(8,207,298)	308,549	(4,427)	(4,427)		(9,147,185)	(8,282,873)	864,312
746,813	746,813		82,509	82,509		2,602,973	2,602,973	
7,886,543	7,886,543					8,109,403	8,109,403	
<u>\$117,509</u>	<u>\$426,058</u>	<u>\$308,549</u>	<u>\$78,082</u>	<u>\$78,082</u>	<u>\$0</u>	<u>\$1,565,191</u>	<u>\$2,429,503</u>	<u>\$864,312</u>

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND EQUITY
PROPREITARY FUND TYPE AND NON-EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUND 30, 2000**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Non-Expendable Trust</u>	
Operating Revenues:			
Sales	\$504,830		\$504,830
Contributions and Donations		\$53,725	53,725
Interest		1,993	1,993
Total Operating Revenues	<u>504,830</u>	<u>55,718</u>	<u>560,548</u>
Operating Expenses:			
Salaries	216,470		216,470
Fringe Benefits	113,897		113,897
Purchased Services	11,157		11,157
Materials and Supplies	98,475		98,475
Cost of Sales	218,626		218,626
Depreciation	4,916		4,916
Total Operating Expenses	<u>663,541</u>		<u>663,541</u>
Operating Income (Loss)	<u>(158,711)</u>	<u>55,718</u>	<u>(102,993)</u>
Non-Operating Revenues:			
Interest	3,677		3,677
Federal Donated Commodities	31,663		31,663
Operating Grants	96,524		96,524
Total Non-Operating Revenues	<u>131,864</u>		<u>131,864</u>
Net Income (Loss)	(26,847)	55,718	28,871
Retained Earnings at Beginning of Year - Restated Note 3	<u>69,408</u>		<u>69,408</u>
Retained Earnings at End of Year	<u>42,561</u>	<u>55,718</u>	<u>98,279</u>
Contributed Capital at Beginning of Year			
Contributions During the Year from:			
Governmental Funds	<u>198,521</u>		<u>198,521</u>
Contributed Capital at End of Year	<u>198,521</u>		<u>198,521</u>
Fund Equity at End of Year	<u>\$241,082</u>	<u>\$55,718</u>	<u>\$296,800</u>

See Accompanying Notes to the General Purpose Financial Statements.

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**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
PROPREITARY FUND TYPE AND NON-EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Enterprise Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Sales	\$499,644	\$499,753	\$109
Contributions and Donations			
Interest	3,000	3,000	
Operating Grants	98,615	98,615	
Total Revenues	<u>601,259</u>	<u>601,368</u>	<u>109</u>
Expenses:			
Salaries	215,486	212,918	2,568
Fringe Benefits	90,439	90,037	402
Purchased Services	12,649	11,184	1,465
Materials and Supplies	311,984	282,799	29,185
Capital Outlay	669	572	97
Other Expenses			
Total Expenses	<u>631,227</u>	<u>597,510</u>	<u>33,717</u>
Excess of Revenues Over (Under) Expenses	(29,968)	3,858	33,826
Fund Balances at Beginning of Year	123,919	123,919	
Prior Year Encumbrances Appropriated	2,048	2,048	
Fund Balances at End of Year	<u>\$95,999</u>	<u>\$129,825</u>	<u>\$33,826</u>

See Accompanying Notes to the General Purpose Financial Statements.

<u>Non-Expendable Trust Fund</u>			<u>Totals (Memorandum Only)</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
			\$499,644	\$499,753	\$109
\$53,725	\$53,725		53,725	53,725	
1,721	1,721		4,721	4,721	
			98,615	98,615	
<u>55,446</u>	<u>55,446</u>		<u>656,705</u>	<u>656,814</u>	<u>109</u>
			215,486	212,918	2,568
			90,439	90,037	402
			12,649	11,184	1,465
			311,984	282,799	29,185
			669	572	97
			<u>631,227</u>	<u>597,510</u>	<u>33,717</u>
55,446	55,446		25,478	59,304	33,826
			123,919	123,919	
			2,048	2,048	
<u>\$55,446</u>	<u>\$55,446</u>	<u>\$0</u>	<u>\$151,445</u>	<u>\$185,271</u>	<u>\$33,826</u>

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPREITARY FUND TYPE AND NON-EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Non-Expendable Trust</u>	<u>(Memorandum Only)</u>
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$499,743	\$0	\$499,743
Cash Received from Contributions and Donations	0	53,725	53,725
Cash Payments for Salaries	(212,918)	0	(212,918)
Cash Payments for Fringe Benefits	(90,037)	0	(90,037)
Cash Payments to Suppliers for Goods and Services	(294,497)	0	(294,497)
Net Cash Used for Operating Activities	<u>(97,709)</u>	<u>53,725</u>	<u>(43,984)</u>
Cash Flows from Noncapital Financing Activities:			
Cash Received from Operating Grants	<u>98,615</u>	<u>0</u>	<u>98,615</u>
Cash Flows from Investing Activities:			
Cash Received from Interest	<u>3,000</u>	<u>1,721</u>	<u>4,721</u>
Net Increase in Cash and Cash Equivalents	3,906	55,446	59,352
Cash and Cash Equivalents at Beginning of Year	<u>125,977</u>	<u>0</u>	<u>125,977</u>
Cash and Cash Equivalents at End of Year	<u>\$129,883</u>	<u>\$55,446</u>	<u>\$185,329</u>

Reconciliation of Operating Income (Loss) to Net

Cash Used for Operating Activities:			
Operating Income (Loss)	(\$158,711)	\$55,718	(\$102,993)

Adjustments to Reconcile Operating Income (Loss) to Net

Cash Used for Operating Activities:			
Depreciation	4,916	0	4,916
Donated Commodities Used During Year	31,663	0	31,663
Interest Reported as Operating Income	0	(1,993)	(1,993)
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(5,087)	0	(5,087)
Increase in Prepaid Items	(156)	0	(156)
Decrease in Inventory Held for Resale	320	0	320
Increase in Materials and Supplies Inventory	(500)	0	(500)
Increase in Accounts Payable	2,278	0	2,278
Increase in Accrued Wages and Benefits	7,588	0	7,588
Decrease in Compensated Absences Payable	(2,788)	0	(2,788)
Increase in Intergovernmental Payable	22,768	0	22,768
Net Cash Used for Operating Activities	<u>(\$97,709)</u>	<u>\$53,725</u>	<u>(\$43,984)</u>

Non-Cash Capital Financing Activities:

During fiscal year 2000, the Classroom Facilities capital projects fund purchased fixed assets, in the amount of \$198,521, and donated them to the Food Service enterprise fund.

Reconciliation of Non-Expendable Trust Fund Cash and Cash Equivalents to Balance Sheet:

All Fiduciary Fund Types	\$166,111
Less Agency Fund	(31,383)
Less Expendable Trust Fund	<u>(79,282)</u>
Cash and Cash Equivalents-Non-Expendable Trust Fund	<u>\$55,446</u>

See Accompanying Notes to the General Purpose Financial Statements.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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 86 classified employees, 142 certified teaching personnel, and 14 administrative employees who provide services to 2,257 students and other community members. The School District currently operates 4 instructional buildings and an administration building.

A. Reporting Entity

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.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Graham Local School District have been prepared in conformity with generally accepted accounting principles (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.

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 District's 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 District's 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.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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).

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 District's 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 District's 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.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

The modified accrual basis of accounting is followed for the governmental fund types, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

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

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a 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, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 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.

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.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 object level within each function and fund. 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 2000.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(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, and object level of expenditures, 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 appropriation, or alter total function appropriation within a fund, or alter object appropriations with functions 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 Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. 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
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(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 2000, 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, 2000.

The School District allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year was \$135,068, which included \$59,115 assigned from other School District funds.

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, 2000, 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 for the purchase of textbooks and other instructional materials and 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
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(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 two hundred fifty 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
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(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.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles 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 or 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, and encumbrances.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles 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
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(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
- SchoolNet Professional Development
- Ohio Reads
- Safe School Helpline
- Title VI-B
- Title I
- Title VI
- Drug Free
- Title VI-R
- Continuous Improvement

Capital Projects Funds

- Classroom Facilities
- SchoolNet Plus
- Technology Equity
- Power Up
- Emergency Building Repair

Reimbursable Grants

General Fund

- Driver Education

Enterprise Fund

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements were 60 percent of the revenues of the School District's governmental fund types during the 2000 fiscal year.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(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.

P. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

3. CORRECTION OF AN ERROR AND RESTATEMENT OF PRIOR YEAR FUND EQUITY

Fixed assets and accumulated depreciation in the Food Service enterprise fund were misstated in the prior year due to items improperly recorded. Fixed assets decreased \$29,613, from \$129,796 to \$100,183, and accumulated depreciation increased \$6,041, from \$85,638 to \$91,679 as a result of the restatement. The effect of this change on net income as previously reported for the fiscal year ended June 30, 1999, was a decrease of \$462, from \$5,579 to \$5,117. Retained earnings decreased \$35,654, from \$105,062 to \$69,408 as of June 30, 1999.

Fixed assets in the general fixed assets account group were overstated in the prior year due to items improperly recorded. Total assets in the general fixed assets account group increased \$1,017,999, from \$16,116,113 to \$17,134,112 as of June 30, 1999.

4. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2000, the Drug Free and Miscellaneous Federal Grants special revenue funds had deficit fund balances of \$48 and \$1,750, respectively. The deficits were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The Library special revenue fund had a deficit fund balance of \$60,078, which was caused by the requirement to report the tax anticipation note liability in the fund receiving the note proceeds. The deficit will be alleviated when the notes are paid.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

4. ACCOUNTABILITY AND COMPLIANCE (Continued)

B. Compliance

The following accounts had expenditures in excess of appropriations for the fiscal year ended June 30, 2000:

<u>Fund Type/Fund/Function</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund			
Instruction			
Vocational	\$394,535	\$415,874	\$21,339
Support Services			
Administration	979,132	980,697	1,565

Additionally, the District did not file its annual report within 150 days after year end as required by Ohio Rev. Code Section 117.38, and did not comply with Ohio Rev. Code Section 5705.41(D) regarding certification of the fiscal officer for \$54,624 in expenditures.

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 generally accepted accounting principles (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:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. 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).
4. 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.

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

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types and Expendable Trust Fund

	Governmental Fund Types				Expendable Trust
	General	Special Revenue	Debt Service	Capital Projects	
GAAP Basis	(\$442,405)	\$104,507	\$172,643	(\$5,769,863)	\$4,273
<u>Increase (Decrease) Due To:</u>					
Revenue Accruals:					
Accrued FY 1999, Received in Cash FY 2000	310,301	7,002	54,874	17,433	0
Accrued FY 2000, Not Yet Received in Cash	(339,999)	(8,656)	(60,770)	(19,310)	0
Expenditure Accruals:					
Accrued FY 1999, Paid in Cash FY 2000	(1,220,977)	(29,949)	0	(2,034,528)	0
Accrued FY 2000, Not Yet Paid in Cash	1,360,634	30,325	0	121,365	0
Cash Adjustments:					
Unrecorded Activity FY 1999	0	9	0	0	0
Unrecorded Activity FY 2000	(10,096)	(9)	0	(2,561)	(1,200)
Notes Receivable:					
New Loans	0	0	0	0	(7,500)
Prepaid Items	(\$23,935)	(\$438)	\$0	\$0	\$0
Note Retirement	0	0	(64,096)	0	0
Advances In	111,801	7,027	0	0	0
Advances Out	(7,027)	(8,963)	0	(102,838)	0
Reallocation of Debt Activity	0	(64,096)	64,096	0	0
Encumbrances Outstanding at Year End (Budget Basis)	0	(12,951)	0	(416,996)	0
Budget Basis	<u>(\$261,703)</u>	<u>\$23,808</u>	<u>\$166,747</u>	<u>(\$8,207,298)</u>	<u>(\$4,427)</u>

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

	Proprietary Fund Type	
	Enterprise	Non-Expendable Trust
Net Income (Loss)/Excess of Revenues Over Expenses Proprietary Fund Type and Non-Expendable Trust Fund		
GAAP Basis	(\$26,847)	\$55,718
<u>Increase (Decrease) Due To:</u>		
Revenue Accruals:		
Accrued FY 1999, Received in Cash FY 2000	22,487	0
Accrued FY 2000, Not Yet Received in Cash	(26,160)	(272)
Expense Accruals:		
Accrued FY 1999, Paid in Cash FY 2000	(95,405)	0
Accrued FY 2000, Not Yet Paid in Cash	125,251	0
Cash Adjustments:		
Unrecorded Activity FY 1999	10	0
Prepaid Items	(\$156)	\$0
Inventory Held for Resale	320	0
Materials and Supplies Inventory	(500)	0
Depreciation Expense	4,916	0
Encumbrances Outstanding at Year End (Budget Basis)	(58)	0
Budget Basis	\$3,858	\$55,446

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.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

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.

At fiscal year end, the School District had \$265 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".

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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".

At fiscal year end, the carrying amount of the School District's deposits was \$2,572,935 and the bank balance was \$2,735,340. Of the bank balance, \$572,234 was covered by federal depository insurance, \$120,220 was secured by collateral in the School District's name held by First Central National Bank, and \$2,042,886 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.

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, 2000, the fair value of funds on deposit with STAR Ohio was \$789,062.

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	\$3,362,262	\$0
Cash on Hand	(265)	0
Investments:		
STAR Ohio	(789,062)	789,062
GASB Statement No. 3	\$2,572,935	\$789,062

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.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

7. PROPERTY TAXES (Continued)

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 2000 represent the collection of calendar year 1999 taxes. Real property taxes for 2000 were levied after April 1, 2000, on the assessed values as of January 1, 2000, 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 2000 were levied after April 1, 2000, on the assessed values as of December 31, 1999, 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.

Tangible personal property tax revenues received in calendar year 2000 (other than public utility property) represent the collection of calendar year 2000 taxes. Tangible personal property taxes for 2000 were levied after April 1, 1999, on the value as of December 31, 1999. 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, 2000, are available to finance fiscal year 2000 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 which were measurable as of June 30, 2000. 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, 2000, was \$335,900 in the General Fund, \$7,270 in the Classroom Facilities special revenue fund, \$60,770 in the Bond Retirement debt service fund, and \$19,310 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 1999, was \$304,565 in the General Fund, \$6,564 in the Classroom Facilities special revenue fund, \$54,874 in the Bond Retirement debt service fund, and \$17,433 in the Permanent Improvement capital projects fund.

Accrued property taxes receivable also includes amounts for any late tax settlements made by the Counties. For fiscal year 2000, this amount was \$20,776 in the General Fund, \$356 in the Classroom Facilities special revenue fund, \$2,974 in the Bond Retirement debt service fund, and \$1,778 in the Permanent Improvement capital projects fund. These amounts are reflected as deferred revenue as they were not received within the available period.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

7. PROPERTY TAXES (Continued)

The assessed values upon which fiscal year 2000 taxes were collected are:

	1999 Second- Half Collections		2000 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$112,470,990	78.78%	\$143,428,700	79.60%
Public Utility	7,957,810	5.57	9,529,500	5.29
Tangible Personal	22,336,261	15.65	27,228,468	15.11
Total Assessed Value	<u>\$142,765,061</u>	<u>100.00 %</u>	<u>\$180,186,668</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$38.18		\$34.28	

8. RECEIVABLES

Receivables at June 30, 2000, consisted of property taxes, accounts (billings for user charged services and student fees), intergovernmental, accrued interest, 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 were \$15,438.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund	
Madison-Champaign ESC	\$1,980
Driver Education	2,200
St. Paris Public Library	596
Total General Fund	<u>4,776</u>
Special Revenue Fund	
SchoolNet Professional Development	<u>1,000</u>
Enterprise Fund	
National School Lunch Program	<u>11,300</u>
Total Intergovernmental Receivables	<u><u>\$17,076</u></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, 2000, the balance of outstanding loans was \$17,500.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

10. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2000, follows:

Furniture and Equipment	\$298,704
Less Accumulated Depreciation	(96,595)
Net Fixed Assets	\$202,109

A summary of the changes in general fixed assets during fiscal year 2000 follows:

Asset Category	Balance at 6/30/99	Additions	Reductions	Balance at 6/30/00
Land and Improvements	\$1,415,300	\$654,194	\$0	\$2,069,494
Buildings and Improvements	3,177,316	14,862,775	0	18,040,091
Furniture, Fixtures, and Equipment	1,723,427	1,685,623	10,911	3,398,139
Vehicles	1,102,329	52,935	0	1,155,264
Construction in Progress	9,715,740	0	9,715,740	0
Total	\$17,134,112	\$17,255,527	\$9,726,651	\$24,662,988

11. INTERFUND ASSETS/LIABILITIES

At June 30, 2000, receivables and payables that resulted from various interfund transactions were as follows:

Fund Type/Fund	Interfund	
	Receivables	Payables
General Fund	\$7,027	\$677
Special Revenue Fund		
Federal Grants	0	7,027
Enterprise Fund		
Food Service	677	0
Total All Funds	\$7,704	\$7,704

12. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the School District contracted with Nationwide Insurance for the following insurance coverage:

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

12. RISK MANAGEMENT (Continued)

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 three years, and there has been no significant reduction in coverage from the prior fiscal year.

For fiscal year 2000, 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.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

13. CONTRACTUAL COMMITMENTS

As of June 30, 2000, the School District had outstanding contracts for professional services as follows:

<u>Company</u>	<u>Amount Remaining on Contract</u>
Harold J. Becker	\$11,741
Buschur Electric	14,017
Celina Glass	1,357
Demmy Construction	33,274
EDR Systems	2,073
Esquire Data Corporation	3,408
Frost and Company	11,084
GM Mechanical	15,429
KMCO Inc. Masonry	16,432
Lima Contracting	37,206
Miles McClellan	23,726
Peterson Construction	68,310
Saturn Electric	12,933
Slagle Mechanical	6,536
Stonecreek Interior	2,156
Vulcan Enterprises	3,165
Wasserstrom Company	1,913

14. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations for fiscal year 2000. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998, were \$318,879, \$334,192, and \$540,988, respectively; 80 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. The unpaid contribution for fiscal year 2000, in the amount of \$64,035, is recorded as a liability within the respective funds.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

14. DEFINED BENEFIT PENSION PLANS (Continued)

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 5.5 percent was the portion used to fund pension obligations for fiscal year 2000. For fiscal year 1999, 7.7 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998, were \$85,410, \$107,351, and \$117,052, respectively; 45 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. The unpaid contribution for fiscal year 2000, in the amount of \$47,379, is recorded as a liability within the respective funds and the general long-term obligations account group.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2000, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

15. POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2000, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$425,172 for fiscal year 2000.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

15. POSTEMPLOYMENT BENEFITS (Continued)

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,419 million at June 30, 2000. For the fiscal year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000, and STRS had 99,011 eligible benefit recipients.

For SERS, 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 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase from 6.3 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$162,480 for fiscal year 2000.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000, were \$140,696,340, and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

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.

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.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

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 2000, principal, in the amount of \$58,750, was paid from the Library special revenue fund. The outstanding principal balance at June 30, 2000 was \$58,750.

Principal and interest requirements to retire the notes at June 30, 2000, were \$61,243. The notes will be fully retired in fiscal year 2001.

18. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2000 were as follows:

<u>General Long-Term Obligations:</u>	<u>Balance at 6/30/99</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/00</u>
Energy Conservation Notes 5.20%	\$130,000	\$0	\$32,500	\$97,500
Asbestos Removal Loan 0.0%	77,426	0	7,149	70,277
General Obligation Bonds				
1998 School Facilities Issue				
Serial and Term Bonds 3.75 - 5.0%	7,305,000	0	235,000	7,070,000
Capital Appreciation Bonds 5 - 5.05%	258,670	23,595	0	282,265
Total General Obligation Debt	7,771,096	23,595	274,649	7,520,042
<u>Other Long-Term Obligations:</u>				
Compensated Absences Payable	1,005,995	71,147	0	1,077,142
Intergovernmental Payable	80,664	69,309	80,664	69,309
Total Other Long-Term Obligations	1,086,659	140,456	80,664	1,146,451
Total General Long-Term Obligations	\$8,857,755	\$164,051	\$355,313	\$8,666,493

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.

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.

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.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

18. LONG-TERM OBLIGATIONS (Continued)

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

The capital appreciation bonds will mature in 2012 and 2013. The maturity amount of the bonds is \$800,000. For fiscal year 2000, \$23,595 was accreted for a total bond value of \$282,265.

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 \$9,373,017 with an unvoted debt margin of \$180,187 at June 30, 2000.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

18. LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire outstanding general obligation debt at June 30, 2000, were as follows:

Fiscal Year	Principal	Interest	Total
2001	\$336,915	\$332,185	\$669,100
2002	299,649	319,975	619,624
2003	309,649	307,220	616,869
2004	287,149	294,755	581,904
2005	302,149	282,463	584,612
2006 - 2010	1,709,531	1,200,400	2,909,931
2011 - 2021	4,275,000	1,878,585	6,153,585
	<u>\$7,520,042</u>	<u>\$4,615,583</u>	<u>\$12,135,625</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 School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward and used for the same purposes in future years. In addition, the School District is required to set aside money for budget stabilization.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2000.

	Textbooks	Capital Improvements	Budget Stabilization
Balance June 30, 1999	\$0	\$0	\$133,797
Current Year Set Aside Requirement	215,879	215,879	71,960
Qualifying Expenditures	(249,611)	(103,334)	0
Current Year Offsets	0	(112,545)	(58,368)
Amount Carried Forward to Fiscal Year 2001	<u>(\$33,732)</u>	<u>\$0</u>	<u>\$147,389</u>
Set Aside Reserve Balance June 30, 2000	<u>\$0</u>	<u>\$0</u>	<u>\$147,389</u>

The total reserve balance for the set asides at the end of the fiscal year was \$147,389.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

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, 2000.

	Food Service	Uniform School Supplies	Adult Education	Total Enterprise Funds
Operating Revenues	\$408,580	\$96,250	\$0	\$504,830
Depreciation Expense	4,916	0	0	4,916
Operating Income (Loss)	(163,652)	4,941	0	(158,711)
Federal Donated Commodities	31,663	0	0	31,663
Operating Grants	96,524	0	0	96,524
Net Income (Loss)	(31,788)	4,941	0	(26,847)
Fixed Asset Additions	198,521	0	0	198,521
Current Contributed Capital	198,521	0	0	198,521
Net Working Capital	22,521	39,286	967	62,774
Total Assets	331,182	43,241	967	375,390
Total Equity	200,829	39,286	967	241,082
Encumbrances Outstanding at Year End (Budget Basis)	0	58	0	58

21. JOINTLY GOVERNED ORGANIZATIONS

A. 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 District's 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.

B. 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.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

21. JOINTLY GOVERNED ORGANIZATIONS (Continued)

C. 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.

24. SCHOOL FUNDING

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's Legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "School Foundation Program", which provides significant monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$6,236,428 of school foundation support for its General Fund.

In addition, the Court declared the classroom facilities program unconstitutional, because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided money to build schools and furnish classrooms. As of June 30, 2000, the School District had received a total of \$11,015,190 under this program.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

24. SCHOOL FUNDING (Continued)

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Supreme Court rendered an opinion on this issue. The Supreme Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled". The Supreme Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision; however, it found seven "...major areas warrant further attention, study, and development by the Ohio General Assembly...", including the State's reliance on local property tax funding; the State's basic aid formula; the school foundation program, as discussed above; the mechanism for, and adequacy of, funding for school facilities; and the existence of the State's School Solvency Assistance Fund, which the Supreme Court found took the place of the unconstitutional emergency school loan assistance program.

The Supreme Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under these programs 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, 2000.

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 EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2000**

<u>Federal Grantor/ Pass Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Number</u>	<u>Cash Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
U.S. Department of Agriculture						
<i>Passed through Ohio Department of Education</i>						
Nutrition Cluster:						
Food Distribution	10.550	N/A			\$33,855	\$31,665
National School Lunch Program	10.555	03-PU-99	\$9,953		\$9,953	
		03-PU-00	26,933		26,933	
		04-PU-99	15,584		15,584	
		04-PU-00	41,730		41,730	
Total National School Lunch Program			<u>94,200</u>		<u>94,200</u>	
Total U.S. Department of Agriculture - Nutrition Cluster			\$94,200	\$33,855	\$94,200	\$31,665
U.S. Department of Education						
<i>Passed through Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	84.010	C1-S1-99			18,764	
		C1-S1-00	123,991		103,301	
Total Title I			<u>123,991</u>		<u>122,065</u>	
Special Education - Grants to States	84.027	6B-SF-99P	115,419		115,419	
Safe and Drug-Free Schools and Communities - State Grants	84.186	DR-S1-99			738	
			9,146		9,146	
Total Safe and Drug-Free Schools and Communities			<u>9,146</u>		<u>9,884</u>	
Innovative Education Program Strategies	84.298	C2-S1-99	1,415		1,415	
		C2-S1-00	10,747		7,570	
Total Innovative Education Program Strategies			<u>12,162</u>		<u>8,985</u>	
Goals 2000 - School-to-Work Program	84.276	N/A			8,963	
					5,000	
			17,000		13,306	
			22,046		27,277	
Total Goals 2000 - School-to-work Program			<u>39,046</u>		<u>54,546</u>	
Class Size Reduction	84.340	N/A	25,392		25,392	
<i>Passed through Alcohol Drug Addiction and Mental Health Board of Logan and Champaign Counties</i>						
Drug Awareness Program	84.186A	ODADAS - 98			(150)	
		ODADAS - 99			2,660	
		ODADAS - 00	25,000		24,003	
Total Drug Awareness Program			<u>25,000</u>		<u>26,513</u>	
Total U.S. Department of Education			350,156		362,804	
Total Federal Financial Assistance			<u>\$444,356</u>	<u>\$33,855</u>	<u>\$457,004</u>	<u>\$31,665</u>

See accompanying notes to the Schedule of Federal Awards Expenditures.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2000**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - NUTRITION CLUSTER

Nonmonetary 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. It is assumed federal monies are expended first. At June 30, 2000, the District had no significant food commodities in inventory.

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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
P.O. Box 910
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, 2000, and have issued our report thereon dated March 9, 2001. We conducted our audit in accordance with generally accepted auditing standards 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2000-10311-001. We also noted an immaterial instance of noncompliance that we have reported to the management of the District in a separate letter dated March 9, 2001.

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. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2000-10311-002.

**Internal Control Over Financial Reporting
(Continued)**

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider the reportable condition described above as item 2000-10311-003 to be a material weakness. We also 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 March 9, 2001.

This report is intended for the information and use of the audit committee, management, the Board of Education, 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

March 9, 2001



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

Graham Local School District
Champaign County
P.O. Box 910
St. Paris, Ohio 43072

To the Board of Education:

Compliance

We have audited the compliance of the 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, 2000. 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 the 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 generally accepted auditing standards; 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, the 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, 2000.

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

March 9, 2001

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FISCAL YEAR END JUNE 30, 2000**

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)?	Yes
(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)?	Yes
(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):	Nutrition Cluster: National School Lunch Program CFDA (#10.555), Donated Commodities CFDA (#10.550)
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FISCAL YEAR END JUNE 30, 2000
(Continued)**

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

Finding Number	2000-10311-001
-----------------------	----------------

Fiscal Officer's Certification

Section 5705.41(D) Ohio Rev. Code, requires that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The exception is as follows:

If no certificate is issued at the time the contract or order is entered into, the fiscal officer may later certify that there were funds properly appropriated and in the treasury or in the process of collection and such funds are free from previous encumbrance both at the time the contract or order was entered into and at the time of payment. After certifying this, the fiscal officer may proceed to pay for such order or contract. If the amount involved is over \$1,000, the taxing authority must approve of such payment within 30 days of the date of the fiscal officer's certification.

The District did not comply with the certification requirement and did not fulfill the requirements of the exception for expenditure transactions totaling \$54,624 during fiscal year 2000.

To help ensure the School District is in compliance with the revised code throughout the year, reduce the risk that obligations will be incurred for which the School District does not have resources available to pay the obligation, and increase the controls over budgetary monitoring, the School District should adopt policies and procedures to ensure that the fiscal officer's certification is obtained prior to making any expenditure.

Finding Number	2000-10311-002
-----------------------	----------------

Fixed Assets

Fixed assets purchased for the Food Service Enterprise Fund of \$33,119 were improperly recorded in the General Fixed Asset Account Group which resulted in the understatement of accumulated depreciation for these items. The District also failed to properly record the correct acquisition year for the items purchased for the middle school construction. The acquisition year was recorded as 1998, however, the contract with the supplying vendor was not signed until August 25, 1998, and the first payment was not made until September 17, 1999, both of which were after fiscal year 1998. Failure to record the correct year of acquisition could overstate the accumulated depreciation and therefore understated the book value of these assets.

The District should maintain accurate fixed asset records for all capitalized school property. The District should implement it's policy regarding fixed assets and should routinely compare the Fixed Asset list to actual purchases and items on hand.



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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
APRIL 17, 2001**