



**GORHAM-FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**GORHAM-FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Balance Sheet – All Fund Types and Account Groups	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Fund Types	8
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Non-GAAP Budgetary Basis) – All Governmental Fund Types	10
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings/ Fund Balance – Proprietary and Similar Fiduciary Fund Types –	14
Combined Statement of Cash Flows – Proprietary and Similar Fiduciary Fund Type	15
Notes to the General-Purpose Financial Statements	17
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	39
Schedule of Findings	41

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REPORT OF INDEPENDENT ACCOUNTANTS

Gorham-Fayette Local School District
Fulton County
311 North Eagle Street
P.O. Box 309
Fayette, Ohio 43521-0309

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Gorham-Fayette Local School District, Fulton 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 November 28, 2000 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.

Jim Petro
Auditor of State

November 28, 2000

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**GORHAM-FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF 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	\$1,092,631	\$136,423	\$110,819	\$35,941
Cash and Cash Equivalents:				
With Fiscal Agents		995		
Receivables:				
Taxes	924,541		190,278	
Intergovernmental				58,031
Accrued Interest	1,125			
Interfund Receivable	58,031			
Income Tax	115,861			
Materials and Supplies Inventory	15,599			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	13,408			
Fixed Assets				
Accumulated Depreciation				
Other Debits:				
Amount in Debt Service Fund for Retirement of Provided from General Government Resources				
Total Assets and Other Debits	\$2,221,196	\$137,418	\$301,097	\$93,972

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$11,034	\$37,427			\$1,424,275
				995
				1,114,819
				58,031
				1,125
				58,031
				115,861
2,411				18,010
				13,408
53,668		\$6,171,806		6,225,474
(33,962)				(33,962)
			\$110,819	110,819
			2,522,391	2,522,391
\$33,151	\$37,427	\$6,171,806	\$2,633,210	\$11,629,277

(Continued)

**GORHAM-FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2000
(Continued)**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$21,179	\$106		
Accrued Wages and Benefits	255,173	5,744		
Compensated Absences Payable	34,862			
Interfund Payable				\$58,031
Intergovernmental Payable	45,366	929		
Deferred Revenue	852,639		\$174,156	
Undistributed Monies				
Due to Students				
General Obligation Bonds Payable				
Total Liabilities	<u>1,209,219</u>	<u>6,779</u>	<u>174,156</u>	<u>58,031</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved:				
Reserved for Encumbrances	17,494	5,230		7,430
Reserved for Inventory	15,599			
Reserved for Debt Service Principal			110,819	
Reserved for Interfund Advances	58,031			
Reserved for Principal Endowment				
Reserved for Property Taxes	71,902		16,122	
Reserved for Textbooks & Instructional Materials	2,288			
Reserved for Budget Stabilization	11,120			
Unreserved:				
Unreserved, Undesignated	835,543	125,409		28,511
Total Fund Equity and Other Credits	<u>1,011,977</u>	<u>130,639</u>	<u>126,941</u>	<u>35,941</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$2,221,196</u>	<u>\$137,418</u>	<u>\$301,097</u>	<u>\$93,972</u>

The notes to the general-purpose financial statements are an integral part of this statement.

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
	\$318			\$21,603
\$4,964				265,881
2,122			\$252,938	289,922
				58,031
1,577			24,012	71,884
985				1,027,780
	343			343
	21,363			21,363
			2,356,260	2,356,260
<u>9,648</u>	<u>22,024</u>		<u>2,633,210</u>	<u>4,113,067</u>
		\$6,171,806		6,171,806
2,446				2,446
21,057				21,057
				30,154
				15,599
				110,819
				58,031
	15,000			15,000
				88,024
				2,288
				11,120
	403			989,866
<u>23,503</u>	<u>15,403</u>	<u>6,171,806</u>		<u>7,516,210</u>
<u>\$33,151</u>	<u>\$37,427</u>	<u>\$6,171,806</u>	<u>\$2,633,210</u>	<u>\$11,629,277</u>

**GORHAM-FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000**

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
Intergovernmental	\$1,581,512	\$299,611
Interest	89,266	
Tuition and Fees	34,067	
Rent	620	
Extracurricular Activities		61,923
Gifts and Donations	7,691	423
Income Tax	452,595	
Property and Other Local Taxes	806,088	
Miscellaneous	339,975	
Total Revenues	3,311,814	361,957
Expenditures:		
Instruction:		
Regular	1,634,102	24,139
Special	176,796	64,459
Vocational	64,477	
Other	16,808	
Support services:		
Pupils	122,338	19,179
Instructional Staff	112,754	10,688
Board of Education	10,438	
Administration	367,299	1,940
Fiscal	110,270	
Operation and Maintenance of Plant	270,148	
Pupil Transportation	223,646	
Central	18,096	5,006
Non-Instructional Services	1,250	134,433
Extracurricular activities	77,614	27,098
Capital Outlay		
Debt Service		
Debt Service - Principal		
Debt Service - Interest		
Total Expenditures	3,206,036	286,942
Excess of Revenues Over (Under) Expenditures	105,778	75,015
Other Financing Sources and Uses		
Proceeds from Sale of Fixed Assets	50	
Refund of Prior Year Expenditures	141	139
Other Financing Sources	3,150	
Operating Transfers Out	(10,000)	
Total Other Financing Sources (Uses)	(6,659)	139
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	99,119	75,154
Fund Balance at Beginning of Year	912,858	55,485
Fund Balance at End of Year	\$1,011,977	\$130,639

The notes to the general-purpose financial statements are an integral part of this statement.

Governmental Fund Types		Totals (Memorandum) Only)
Debt Service	Capital Projects	
\$18,598	\$58,031 2,069	\$1,957,752 91,335 34,067 620 61,923 13,719 452,595 986,276 339,975
5,605		
180,188		
<u>204,391</u>	<u>60,100</u>	<u>3,938,262</u>
		1,658,241 241,255 64,477 16,808
		141,517 123,442 10,438 369,239 114,158 270,148 223,646 23,102 135,683 104,712 84,661
3,888	84,661	84,661
65,000		65,000
<u>111,204</u>		<u>111,204</u>
<u>180,092</u>	<u>84,661</u>	<u>3,757,731</u>
<u>24,299</u>	<u>(24,561)</u>	<u>180,531</u>
		50 280 3,150 (10,000)
		<u>(6,520)</u>
24,299	(24,561)	174,011
<u>102,642</u>	<u>60,502</u>	<u>1,132,789</u>
<u>\$126,941</u>	<u>\$35,941</u>	<u>\$1,306,800</u>

**GORHAM-FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

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

	General		
	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$1,559,624	\$1,582,132	\$22,508
Interest	75,000	88,141	13,141
Tuition and Fees	49,010	61,864	12,854
Rent	127	620	493
Extracurricular Activities			
Gifts and Donations	216	7,691	7,475
Income Tax	345,876	336,734	(9,142)
Property and Other Local Taxes	858,233	904,603	46,370
Miscellaneous	338,465	340,554	2,089
Total Revenues	3,226,551	3,322,339	95,788
Expenditures:			
Current:			
Instruction:			
Regular	1,667,220	1,621,249	45,971
Special	189,376	176,109	13,267
Vocational	73,332	64,207	9,125
Other	37,509	16,970	20,539
Support services:			
Pupils	144,816	121,828	22,988
Instructional Staff	176,047	130,796	45,251
Board of Education	20,135	11,247	8,888
Administration	392,817	362,526	30,291
Fiscal	123,658	108,586	15,072
Operation and Maintenance of Plant	363,490	285,744	77,746
Pupil Transportation	244,785	224,020	20,765
Central	23,150	18,096	5,054
Non-Instructional Services	1,250	1,250	
Extracurricular activities	81,641	77,641	4,000
Capital Outlay	35,250		35,250
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	3,574,476	3,220,269	354,207
Excess of Revenues Over (Under) Expenditures	(347,925)	102,070	449,995
Other Financing Sources and Uses			
Proceeds from Sale of Fixed Assets		50	50
Refund of Prior Year Expenditures		1,136	1,136
Advances In			
Other Financing Sources	2,610	3,150	540
Operating Transfers Out	(10,000)	(10,000)	
Refund of Prior Year Receipts	(801)		801
Advances Out	(8,500)	(8,031)	469
Total Other Financing Sources (Uses)	(16,691)	(13,695)	2,996
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(364,616)	88,375	452,991
Fund Balances at Beginning of Year	908,406	908,406	
Prior Year Encumbrances Appropriated	70,583	70,583	
Fund Balance at end of Year	\$614,373	\$1,067,364	\$452,991

Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$269,161	\$303,090	\$33,929	\$17,400	\$18,598	\$1,198
53,835	61,923	8,088		5,605	5,605
105	423	318			
			159,324	175,058	15,734
<u>323,101</u>	<u>365,436</u>	<u>42,335</u>	<u>176,724</u>	<u>199,261</u>	<u>22,537</u>
33,447	24,163	9,284			
75,565	65,031	10,534			
19,989	19,179	810			
11,868	10,688	1,180			
2,015	1,940	75			
			3,893	3,888	5
5,000	5,000				
192,737	138,490				
44,305	27,118	17,187			
			65,000	65,000	
			111,511	111,204	307
<u>384,926</u>	<u>291,609</u>	<u>39,070</u>	<u>180,404</u>	<u>180,092</u>	<u>312</u>
<u>(61,825)</u>	<u>73,827</u>	<u>81,405</u>	<u>(3,680)</u>	<u>19,169</u>	<u>22,849</u>
	139	139			
	139	139			
(61,825)	73,966	81,544	(3,680)	19,169	22,849
43,941	43,941		91,650	91,650	
13,179	13,179				
<u>(\$4,705)</u>	<u>\$131,086</u>	<u>\$81,544</u>	<u>\$87,970</u>	<u>\$110,819</u>	<u>\$22,849</u>

(Continued)

**GORHAM-FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

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

	<u>Capital Projects</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance: Favorable (Unfavorable)</u>
Revenues:			
Intergovernmental	\$50,500		(\$50,500)
Interest		\$2,069	\$2,069
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations			
Income Tax			
Property and Other Local Taxes			
Miscellaneous			
Total Revenues		2,069	(48,431)
Expenditures:			
Current:			
Instruction:			
Regular			
Special			
Vocational			
Other			
Support services:			
Pupils			
Instructional Staff	\$1,812	990	822
Board of Education			
Administration			
Fiscal			
Operation and Maintenance of Plant			
Pupil Transportation			
Central			
Non-Instructional Services			
Extracurricular activities			
Capital Outlay	266,239	264,227	2,012
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	268,051	265,217	2,834
Excess of Revenues Over (Under) Expenditures	(268,051)	(263,148)	(45,597)
Other Financing Sources and Uses			
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures			
Advances In		8,031	8,031
Other Financing Sources			
Operating Transfers Out			
Refund of Prior Year Receipts			
Advances Out			
Total Other Financing Sources (Uses)		8,031	8,031
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(268,051)	(255,117)	(37,566)
Fund Balances at Beginning of Year	73,985	73,985	
Prior Year Encumbrances Appropriated	209,644	209,644	
Fund Balance at end of Year	\$15,578	\$28,512	(\$37,566)

The notes to the general-purpose financial statements are an integral part of this statement.

Totals (Memorandum Only)

Budget	Actual	Variance: Favorable (Unfavorable)
\$1,896,685	\$1,903,820	\$7,135
75,000	90,210	15,210
49,010	61,864	12,854
127	620	493
53,835	61,923	8,088
321	13,719	13,398
345,876	336,734	(9,142)
1,017,557	1,079,661	62,104
338,465	340,554	2,089
3,776,876	3,889,105	112,229
1,700,667	1,645,412	55,255
264,941	241,140	23,801
73,332	64,207	9,125
37,509	16,970	20,539
164,805	141,007	23,798
189,727	142,474	47,253
20,135	11,247	8,888
394,832	364,466	30,366
127,551	112,474	15,077
363,490	285,744	77,746
244,785	224,020	20,765
28,150	23,096	5,054
193,987	139,740	
125,946	104,759	21,187
301,489	264,227	37,262
65,000	65,000	
111,511	111,204	307
4,407,857	3,957,187	396,423
(630,981)	(68,082)	508,652
	50	50
	1,275	1,275
	8,031	8,031
2,610	3,150	540
(10,000)	(10,000)	
(801)		801
(8,500)	(8,031)	469
(16,691)	(5,525)	11,166
(647,672)	(73,607)	519,818
1,117,982	1,117,982	
293,406	293,406	
\$763,716	\$1,337,781	\$519,818

**GORHAM-FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND EQUITY
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Operating Revenues:			
Sales	\$71,579		\$71,579
Interest		\$848	848
Total Operating Revenues	<u>71,579</u>	<u>848</u>	<u>72,427</u>
Operating Expenses			
Salaries	36,650		36,650
Fringe Benefits	21,933		21,933
Purchased Services	686		686
Materials and Supplies	59,184		59,184
Depreciation	1,904		1,904
Other	98	467	565
Total Operating Expenses	<u>120,455</u>	<u>467</u>	<u>120,922</u>
Operating Income (Loss)	<u>(48,876)</u>	<u>381</u>	<u>(48,495)</u>
Non-Operating Revenues			
Federal Donated Commodities	14,358		14,358
Interest	156		156
Federal and State Subsidies	31,469		31,469
Total Non-Operating Revenues	<u>45,983</u>		<u>45,983</u>
Income (Loss) Before Operating Transfers	(2,893)	381	(2,512)
Operating Transfers-In	<u>10,000</u>		<u>10,000</u>
Net Income	7,107	381	7,488
Retained Earnings/Fund Balances at Beginning of Year	<u>13,950</u>	<u>15,022</u>	<u>28,972</u>
Retained Earnings/Fund Balances at End of Year	<u>21,057</u>	<u>15,403</u>	<u>36,460</u>
Contributed Capital at Beginning of Year			
Capital Contributions During the Year	<u>2,446</u>		<u>2,446</u>
Contributed Capital at End of Year	<u>2,446</u>		<u>2,446</u>
Total Fund Equity at End of Year	<u>\$23,503</u>	<u>\$15,403</u>	<u>\$38,906</u>

The notes to the general-purpose financial statements are an integral part of this statement.

**GORHAM-FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**COMBINED STATEMENT OF CASH FLOW
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000**

	Proprietary Fund Types	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities:			
Cash Received from Sales	\$71,579		\$71,579
Cash Payments to Suppliers for Goods and Service	(46,671)		(46,671)
Cash Payments for Contract Services	(686)		(686)
Cash Payments for Employee Services	(40,359)		(40,359)
Cash Payments for Employee Benefits	(19,617)		(19,617)
Other Cash Payments	(118)	(\$467)	(585)
Net Cash (Used) by Operating Activities	(35,872)	(467)	(36,339)
Cash Flows from Noncapital Financing Activities:			
Operating Grants Received	36,067		36,067
Transfers In	10,000		10,000
Net Cash Provided by Noncapital Financing Activities	46,067		46,067
Cash Flows from Investing Activities:			
Interest Received	156	848	1,004
Net Increase in Cash and Cash Equivalents	10,351	381	10,732
Cash and Cash Equivalents at Beginning of Year	683	15,022	15,705
Cash and Cash Equivalents at End of Year	\$11,034	\$15,403	\$26,437
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	(\$48,876)	\$381	(\$48,495)
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided (Used) by Operating Activities:			
Depreciation	1,904		1,904
Donated Commodities Used During the Year	14,358		14,358
Contributed Capital	2,446		2,446
Adjustments to Capital Outlay	(5,286)		(5,286)
Nonexpendable Trust Interest		(848)	(848)
(Increase) Decrease in Assets:			
Material and Supplies Inventory	1,762		1,762
Increase (Decrease) in Liabilities:			
Compensated Absences Payable	(1,704)		(1,704)
Intergovernmental Payable	(438)		(438)
Deferred Revenue	(787)		(787)
Accrued Wages and Benefits	749		749
Net Cash Provided (Used) by Operating Activities	(\$35,872)	(\$467)	(\$36,339)
Reconciliation of Nonexpendable Trust Fund Cash Balance as of June 30, 2000:			
Cash and Cash Equivalents - Trust and Agency Funds			\$37,427
Less: Agency Funds			(22,024)
Cash and Cash Equivalents - Nonexpendable Trust Funds			\$15,403

The notes to the general-purpose financial statements are an integral part of this statement.

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**GORHAM-FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Gorham-Fayette Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by § 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's two instructional/support facilities.

The Reporting Entity

The District has implemented the Government Accounting Standards Board (GASB) pronouncements concerning the definition of the reporting entity. Accordingly, the District's balance sheet includes all funds, account groups, agencies, boards, commissions, and component units over which the District officials exercise oversight responsibility.

Oversight responsibility includes such aspects as appointment of governing body members, budget review, approval of property tax levies, outstanding debt secured by District full faith and credit or revenues, and responsibility for funding deficits. On this basis, there were no organizations subject to the District's oversight responsibility, which required incorporation into the financial statements.

The District is associated with organizations, which are defined as jointly governed organizations, a related organization and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Normal Memorial Library, the Northern Buckeye Education Council's Employee Insurance Benefit Program, and the Northern Buckeye Education Council Workers' Compensation Group Rating Plan. These organizations are presented in Notes 14, 15, and 16 to the general-purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The modified accrual basis of accounting is followed for Governmental and Agency Funds. The measurement focus is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income determination. Under this basis of accounting:

1. Only current assets and current liabilities are generally included on their balance sheets.
2. Operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.
3. Revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is 60 days after year end.
 - a. Revenue accrued at the end of the year included taxes, interest, student fees and tuition.

**GORHAM-FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

- b. Property taxes measurable but not available as of June 30, 2000 and delinquent property taxes, whose availability is indeterminate, have been recorded as deferred revenues.

- 4. Expenditures are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; the current costs of accumulated unpaid vacation and sick leave are reported in the period in which they will be liquidated with available financial resources, rather than in the period earned by employees.

The Agency Funds are custodial in nature and do not present results of operations or have measurement focus. These funds are used to account for assets that the government holds for others in an agent capacity.

The Proprietary and Nonexpendable Funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to the proprietary funds provided they do not conflict with or contradict GASB pronouncements.

B. Fund Accounting

The District maintains its accounting in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reporting in other funds. The restrictions associated with each class of funds are as follows:

1. Governmental Funds

The following are the funds through which most Board of Education functions are typically financed.

General Fund - The fund used to account for all financial resources except those required to be segregated and accounted for in other funds. The General Fund is the general operating fund of the District.

Special Revenue Funds - The funds used to account for the proceeds of specific revenue sources (other than capital projects) that are legally restricted to disbursements for specified purposes.

Debt Service Funds - The funds used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. According to the governmental accounting principles, the Debt Service Fund accounts for the payment of long-term debt for Governmental Funds only. Under Ohio law, the Debt Service Fund might also be used to account for the payment of debt for Proprietary Funds and the short-term debt of both Governmental and Proprietary Funds.

**GORHAM-FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

Capital Projects Funds - The funds 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).

2. Proprietary Funds

The funds used to account for Board activities that are similar to business operations in the private sector. Proprietary Funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Proprietary fund measurement focus is upon determination of net income, financial position and cash flows.

Enterprise Funds - The funds used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

3. Fiduciary Funds

The funds used to account for assets not owned by the Board, but held for a separate entity.

Trust Funds - The funds used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Nonexpendable Trust Funds.

Agency Funds - The funds used to account for assets held by the District as an agent. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4. Account Groups

General Fixed Assets - Fixed assets acquired or constructed for general governmental services are recorded as expenditures in the fund making the expenditures and capitalized at cost in the General Fixed Assets Account Group.

General Long-Term Obligations - This group of accounts is established to account for all long-term obligations of the District except those accounted for in the Proprietary Funds.

C. Budgetary Accounting

Budgets are adopted on a cash basis.

The District is required by State statute to adopt an annual appropriation budget for all funds. The Title VI-B Flow Thru Grant, Eisenhower Math-Science Grant, and Federal Preschool Grant special revenue funds pass through grants in which the Northwest Ohio Educational Service Center is the primary recipient. Budgetary information for these funds is included within the District's reporting entity for which the "appropriated budget" is adopted.

The specific timetable is as follows:

**GORHAM-FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

1. Prior to January 15, the Treasurer submits 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. A public hearing is publicized and conducted to obtain taxpayers' comments. The purpose of this Budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board adopted budget is filed with the County Budget Commission for rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. The annual appropriation measure (the true operating budget) is then developed at the fund, function and object level of expenditures, which are the legal levels of budgetary control.
4. A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for a period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.
5. The District maintains budgetary control by not permitting expenditures to exceed appropriations within each fund, function and object without approval of the Board of Education. The Board permits management to make discretionary, budgetary adjustments within each fund, which are approved by the Board on a monthly basis. Any adjustments that alter the total fund appropriation require specific action of the Board.
6. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

The District's budget (budget basis) for all funds accounts for certain transactions on a basis, which differs from generally accepted accounting principles (GAAP basis). The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash for budget purposes as opposed to when susceptible to accrual for GAAP purposes.
2. Expenditures and expenses are recorded when paid in cash or encumbered for budget purposes as opposed to when the liability is incurred for GAAP purposes.

An analysis of the difference between GAAP and budgetary basis for all governmental fund types for the year ended June 30, 2000 follows:

**GORHAM-FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses

	General	Special Revenue	Debt Service	Capital Projects
Budget Basis	\$88,375	\$73,966	\$19,169	(\$255,117)
Revenue Accruals	(10,525)	(3,379)	5,130	58,031
Expenditure Accruals	(24,440)	(668)		173,126
Other Sources/Uses	7,036			(8,031)
Encumbrances	38,673	5,335		7,430
GAAP Basis	<u>\$99,119</u>	<u>\$75,154</u>	<u>\$24,299</u>	<u>(\$24,561)</u>

D. Encumbrances

The District is required to use the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. 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 appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

E. Cash and Investments

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

During fiscal year 2000, investments were limited to a repurchase agreement account, STAR Ohio, a secure asset account and a certificate account. The repurchase agreement account, secure asset account and certificate account are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2000. 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.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2000 amounted to \$89,266.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

**GORHAM-FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

F. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first in, first out basis. Inventory in Governmental Funds consists of expendable supplies held for consumption. The cost has been recorded as an expenditure at the time individual inventory items were purchased. Reported inventories in these funds are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

G. Property, Plant and Equipment

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. The cost 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. Interest incurred during construction of general fixed assets is also not capitalized. Contributed fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$300. This is based primarily on the uniqueness of these items to a school operation. No depreciation is recognized for assets in General Fixed Assets Account Group.

Public Domain ("infrastructure") general fixed assets consisting of curbs, gutters, sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government. The District does not have any infrastructure.

2. Proprietary Funds

Property plant and equipment reflected in the Proprietary Funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Contributed fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided for furniture, fixtures, and equipment on a straight line basis over an estimated useful life of seven to twenty years.

H. Intergovernmental Revenues

In Governmental Funds, entitlements and non-reimbursable grants 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. Grants for Proprietary Fund operations are recognized as revenue when measurable and earned. This District currently participates in various state and federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
School Bus Purchase Reimbursement

**GORHAM-FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

Non-Reimbursable Grants

Special Revenue Funds

Drug Free Grant
Title I
Title VI
Educational Management Information Systems (EMIS)
Teacher Development
SchoolNet Professional Development
Textbook/Instructional Materials Subsidy
Public School Preschool
Title VI-B
Eisenhower Grant
Preschool Disability Grant
Disadvantaged Pupil Impact Aid
School Improvement Incentive
Ohio Reads
Summer Intervention
Telecomm
Title VI - R

Capital Projects Funds

SchoolNet
School Net Plus
Emergency School Building Repair
Technology Equity

Reimbursable Grants

General Fund

Driver Education Reimbursement
Vocational Education Equipment Fund

Enterprise Fund

National School Lunch Program
Government Donated Commodities

I. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund through which resources are to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans are reflected as interfund receivables and interfund payables.

**GORHAM-FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

J. Compensated Absences

The District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 16, "Accounting for Compensated Absences." In conformity with GASB Statement No. 16, the School District accrues vacation as earned by its employees if the leave is attributable too past service and it is probable that the District will compensate the employees for the benefits through paid time or some other means, such as cash payments at termination or retirement.

Sick leave benefits are accrued as a liability using the vested method. The liability includes the employees who are currently eligible to receive termination benefits and those the 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 District's termination policy. For governmental funds, the District provides a liability for unpaid accumulated sick leave and vacation time for eligible employees in the period the employees become eligible to receive payment. The current portion of unpaid compensated absences is the amount to be paid using expendable available resources and is reported as an accrued liability in the fund from which the individuals who have accumulated the unpaid compensated absences are paid. The balance of the liability is reported in the General Long-Term Obligations Account Group. In proprietary funds, compensated absences are expensed when earned. The entire amount of unpaid compensated absences is reported as a fund liability.

K. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts restricted by statute to be set-aside by the School District for the purchase of textbooks and to create a reserve for budget stabilization. See Note 18 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

L. Fund Balance Reserves

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 encumbrances, inventories of supplies and materials, property taxes, budget stabilization, textbook purchases, principal endowments, interfund advances and debt service.

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 money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The reserve for principal endowments signifies the legal restrictions on the use of principal.

**GORHAM-FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

M. 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.

N. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For the other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the General Long-Term Obligation Account Group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

O. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. This information is not comparable to a consolidation. Interfund-type eliminations have not been made in the combining of the data.

3. ACCOUNTABILITY

At June 30, 2000, the Title I Fund had a deficit fund balance of \$1,854, which was 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.

4. CASH AND CASH EQUIVALENTS

State statutes classify monies held by the 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 District Treasury, in commercial accounts payable or withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

Interim deposits are deposits of interim monies. Interim monies are those monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including pass book accounts.

**GORHAM-FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

Protection of District's deposits is provided by the Federal Deposit Insurance Corporation, 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 Notes, Bills, Bonds, 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 obligations or securities 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 that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that 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 through eligible institutions; and
6. The Ohio State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse purchase 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.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits: At year end, the carrying amount of the District's deposits was \$299,723 and the bank balance was \$337,091. Of the bank balance, \$129,911 was covered by Federal Depository Insurance; and \$207,180 was secured by pooled collateral that was held in the pledging financial institution's name. All State statutory requirements for the deposit of money had been followed.

**GORHAM-FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

At fiscal year end, the District had \$995 in cash and cash equivalents held by the Northwest Ohio Educational Service Center, which is included on the balance sheet as "Cash with fiscal agent." The Educational Service Center holds this flow through grant money for the District along with that of other school districts and therefore the District cannot classify this money by risk under GASB Statement No. 3.

Investments: The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the 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 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 district's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. During fiscal year 2000, investments were limited to Star Ohio with a carrying amount and fair value as of June 30, 2000 of \$1,016,181, and a repurchase agreement, a Category 3 investment, with a carrying amount and fair value as of June 30, 2000 of \$121,779.

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments per GASB Statement No. 3 are as follows:

	<u>Cash and Cash Equivalents Deposits</u>	<u>Investments</u>
GASB Statement 9	\$1,437,683	
Investments of the Cash Management Pool:		
Repurchase Agreement	(121,779)	121,779
State Treasurer's Investment Pool	<u>(1,016,181)</u>	<u>1,016,181</u>
GASB Statement 3	<u>\$299,723</u>	<u>\$1,137,960</u>

5. PROPERTY TAXES

Property taxes include amounts levied against real, public utility, and tangible property located within the District. All property is required to be reappraised every six years with a triennial update.

Real property taxes, excluding public utility property, are assessed at 35 percent of appraised market value. Pertinent real property tax dates are:

**GORHAM-FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

Collection Dates	January and July of the current year
Lien Date	January 1 of the year preceding the collection year
Levy Date	October 1 of the year preceding the collection year

Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value.

The taxes are based on assessed values determined at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year. Pertinent tangible personal property tax dates are:

Collection Dates	April and September of the current year
Lien Date	January 1 of the current year
Levy Date	October 1 of the year preceding the collection year

Most public utility tangible personal property currently is assessed at 35 percent of its true value. Pertinent public utility tangible personal property tax dates are:

Collection Dates	January and July of the current year
Lien Date	December 31 of the second year preceding the collection year
Levy Date	October 1 of the year preceding the collection year

The County Treasurer collects real estate property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the District its portion of the taxes collected with final settlement in March and September.

The County Treasurer collects personal property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the District its portion of the taxes collected with final settlement in May and October.

Taxes receivable represent current and delinquent real property, tangible personal property, and public utility property taxes, which are measurable at June 30, 2000. These taxes are intended to finance the next fiscal year's operations, and are therefore offset by a credit to deferred revenue, except for the portion, which is available to advance as of June 30, 2000.

The assessed values of properties upon which property tax revenues were based are as follows:

	<u>Amount</u>
Agricultural/Residential Real Estate	\$24,778,490
Commercial/Industrial Real Estate	3,746,700
Public Utility Personal Property	3,292,190
General Personal Property	<u>3,166,650</u>
Total valuation	<u><u>\$34,984,030</u></u>

**GORHAM-FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

6. FIXED ASSETS

A summary of changes in the General Fixed Assets Account Group is as follows:

Asset Category	Balance at 7/1/99	Additions	Disposals	Balance at 6/30/00
Land and Improvements	\$137,813	\$21,579		\$159,392
Buildings and Improvements	1,615,698	2,796,909		4,412,607
Furniture and Equipment	885,081	49,189	\$16,204	918,066
Vehicles	317,068	72,949	31,200	358,817
Text and Library Books	322,924			322,924
Construction in Progress	2,691,252		2,691,252	
Totals	\$5,969,836	\$2,940,626	\$2,738,656	\$6,171,806

A summary of changes in the Enterprise Fund fixed assets is as follows:

Asset Category	Balance at 06/30/00
Furniture and Equipment	\$53,668
Less: Accumulated Depreciation	(33,962)
Net Fixed Assets	\$19,706

7. LONG-TERM OBLIGATIONS

During the year ended June 30, 2000, the following changes occurred in obligations reported in the General Long-Term Obligations Account Group:

	Principal Outstanding 7/1/99	Additions	Reductions	Principal Outstanding 6/30/00
General Obligation Bonds	\$2,404,708		\$65,000	\$2,339,708
Capital Appreciation on Bonds	9,547	\$7,005		16,552
Pension Obligation	26,887		2,875	24,012
Compensated Absences	268,228		15,290	252,938
Total Long-Term Obligations	\$2,709,370	\$7,005	\$83,165	\$2,633,210

Debt outstanding at June 30, 2000 consisted of a separate issue of construction and improvement bonds. The issue includes both current interest bonds, par value of \$2,300,000, and capital appreciation bonds, par value of \$315,000. These bonds were issued in 1998 and will mature in 2024. Interest rates for the current interest bonds range from 3.85 percent to 5.00 percent. The capital appreciation bonds mature on December 1, 2010, 2011 and 2012, with stated interest rate of 19.5 percent, at a redemption price equal to 100% of the principal, plus accrued interest to redemption

**GORHAM-FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

date. The annual accretion of interest is compounded semiannually. The accretion of interest on the capital appreciation bonds reported in the General Long-Term Obligations Account Group at June 30, 1999 was \$16,552.

Total expenditures for interest for the above debt for the period ended June 30, 2000 was \$111,204.

The scheduled payments of principal and interest on debt outstanding at June 30, 2000 are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2001	\$65,000	\$108,652	\$173,652
2002	70,000	105,918	175,918
2003	75,000	102,926	177,926
2004	80,000	99,690	179,690
2005	80,000	96,310	176,310
thereafter	1,986,260	1,394,897	3,381,157
Total	<u>\$2,356,260</u>	<u>\$1,908,393</u>	<u>\$4,264,653</u>

8. COMPENSATED ABSENCES

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Clerical, Technical, and Maintenance and Operation employees with one or more years of service are entitled to vacation ranging from 10 to 20 days. Certain employees are permitted to carry over vacation leave earned in the current year into the next year.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one-fourth of the accumulated sick leave to a maximum of 55 days. The amount paid to a classified employee upon retirement is limited to one-fourth of the accumulated sick leave to a maximum of 45 days.

At June 30, 2000, the current amount of unpaid compensated absences in all funds, except for the proprietary funds, and the balance of the liability in the General Fund and the General Long-Term Obligation Account Group was \$34,862 and \$252,938, respectively. The liability for compensated absences in the proprietary funds at June 30, 2000 was \$2,122.

9. RETIREMENT INCENTIVE

The Board of Education shall pay fifty dollars (\$50) for each year served in the District to bargaining unit members eligible to retire. In order to receive this payment, individuals must retire in the first year that they meet the member eligibility requirements for retirement as defined by STRS. This program would be combined with the lump sum severance.

**GORHAM-FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

10. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The District participates in 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 basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit 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. That report may be obtained by writing to the State Teachers Retirement System, 275 E. Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 10.5 percent was the portion used to fund pension obligations. Prior to July 1, 1997, the portion used to fund pension obligations was 12 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$256,097, \$243,844, and \$221,711, respectively; 85 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$38,440 representing the unpaid contribution for fiscal year 2000 is recorded as a liability within the respective funds.

B. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of the annual covered payroll. For fiscal year 2000, 9.79 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 District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$65,694, \$54,887, and \$51,043, respectively; 63 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$24,564 representing the unpaid contribution for fiscal year 2000 is recorded as a liability within the respective funds and the general long-term obligations account group.

**GORHAM-FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

11. POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified 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 Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the year ended June 30, 2000, the Board allocated employer contributions to equal eight percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$146,341 during fiscal 2000.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,783 million at June 30, 1999. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and 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 6.3 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 1999, the minimum pay has been established as \$12,400. 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, 1999 were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188 million. SERS has approximately 51,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including the surcharge, equaled \$30,235 during the 2000 fiscal year.

12. RISK MANAGEMENT

A. Comprehensive

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are fully considered.

**GORHAM-FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

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

B. Employee Insurance Benefits Program

The District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool consisting of school districts within Defiance, Fulton, Henry, and Williams counties and other eligible governmental entities. The District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees, which includes health, dental, and life insurance plans. Northern Buckeye Education Council is responsible for the management and operations of the program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for their share of any claims not processed and paid and any related administrative costs. The District paid \$286,981 in premiums during the 2000 fiscal year.

C. Workers' Compensation Group Program

The District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 16). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement. The District paid \$381 in premiums during the 2000 fiscal year.

13. ENTERPRISE FUNDS SEGMENT INFORMATION

The District maintains two Enterprise Funds, which provide lunchroom/cafeteria, and uniform school supply services. Segment information for the year ended June 30, 2000 was as follows:

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$70,324	\$1,255	\$71,579
Depreciation Expense	1,904		1,904
Operating Income (Loss)	(49,510)	634	(48,876)
Donated Commodities	14,358		14,358
Grants	31,469		31,469
Interest	156		156
Operating Transfers-In	10,000		10,000

**GORHAM-FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

	Food Service	Uniform School Supplies	Total Enterprise Funds
Net Income (Loss)	6,473	634	7,107
Fixed Asset Additions	5,286		5,286
Net Working Capital	2,482	1,315	3,797
Total Assets	31,836	1,315	33,151
Total Liabilities	9,648		9,648
Contributed Capital	2,446		2,446
Total Equity	22,188	1,315	23,503

14. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total fees paid by the District to NWOCA during this fiscal year were \$18,355. Financial information can be obtained from Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, and Williams Counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. Total disbursements made by the District to NBEC for GAAP conversion services during this fiscal year were \$2,500. To obtain financial information write to the Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**GORHAM-FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

C. Four County Career Center

The Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of five representatives from the Northwest Ohio Educational Service Center - one each from the counties of Defiance, Fulton, Henry, and Williams and one additional representative; one representative from each of the city school districts; and one representative from each of the exempted village school districts. The Four County Career Center possesses its own budgeting and taxing authority. To obtain financial information write to the Four County Career Center, Michele Zeedyk, who serves as Treasurer, at Route 1, Box 245A, Archbold, Ohio 43502.

15. RELATED ORGANIZATIONS

Normal Memorial Library

The Normal Memorial 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 Gorham-Fayette Local School district Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the district for operational subsidies.

Although the District does serve as the taxing authority and may issue 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 purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Normal Memorial Library, Irene Fether, Clerk/Treasurer, at 301 North Eagle Street, Fayette, Ohio 43521.

16. GROUP PURCHASING POOLS

A. NBEC Employee Insurance Benefits Program

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams Counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NBEC for employee insurance benefits during this fiscal year were \$286,981. Financial information can be obtained from Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**GORHAM-FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

B. NBEC Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under § 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program. During this fiscal year, the District paid an enrollment fee of \$250 to the WCGRP to cover the costs of administering the program.

17. CHANGES IN CONTRIBUTED CAPITAL

Changes in contributed capital for the year ended June 30, 2000, are summarized by source as follows:

	Food Service
Contributed Capital, July 1, 1999	
Current Contributions	\$2,446
Contributed Capital, June 30, 2000	\$2,446

18. SET-ASIDE CALCULATIONS AND FUND RESERVES

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 year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside Cash Balance as of June 30, 1999			\$11,120	
Current Year Set-aside Requirement	\$70,244	\$70,244		
Current Year Offsets				
Qualifying Disbursements	(67,956)	(86,350)		
Total	\$2,288	(\$16,106)	\$11,120	
Cash Balance Carried Forward to FY 2001	\$2,288		\$11,120	
Amount Restricted for Textbooks				\$2,288
Amount Restricted for Budget Stabilization				11,120
Total Restricted Assets				\$13,408

**GORHAM-FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

Although the School District had offsets and qualifying disbursements during the year that reduced the capital acquisition set-aside amount to below zero, the extra amount may not be used to reduce the set-aside requirement of future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

19. STATE SCHOOL FUNDING DECISION

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 amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$1,476,710 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State 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 Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "the mandate of the Ohio Constitution has not been fulfilled." The 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 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 Court found took the place of the unconstitutional emergency school loan assistance program.

The 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 this program and on its financial operations.

20. INTERFUND TRANSACTIONS

Transfer between funds during the year ended June 30, 2000 were as follows:

	<u>Transfers-In</u>	<u>Transfers-Out</u>
General Fund		\$10,000
Enterprise Funds	\$10,000	
Total All Funds	<u>\$10,000</u>	<u>\$10,000</u>

**GORHAM-FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

Interfund balances at June 30, 2000 consist of the following individual fund receivable and payable:

	Interfund Receivable	Interfund Payable
General Fund	\$58,031	
Capital Projects Funds		\$58,031
Total All Funds	\$58,031	\$58,031

21. AGENCY FUNDS

General-Purpose Statement Changes in Assets and Liabilities			
	Balance at 06/30/99	Change	Balance at 06/30/00
Assets	\$23,133	(\$1,109)	\$22,024
Liabilities	\$23,133	(\$1,109)	\$22,024

22. SCHOOL DISTRICT INCOME TAX

In 1991, the voters of the District passed a 1 percent school income tax on wages earned by residents of the District. The taxes are collected by the State Department of Taxation in the same manner as the state income tax. In the fiscal year ending June 30, 2000, the District recorded income tax revenue of \$337,149 in the General Fund, of which \$115,861 is recorded as a receivable at June 30, 2000.



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

Gorham-Fayette Local School District
Fulton County
311 North Eagle Street
P.O. Box 309
Fayette, Ohio 43521-0309

To the Board of Education:

We have audited the financial statements of the Gorham-Fayette Local School District, Fulton County, (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated November 28, 2000. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2000-10126-001 and 2000-10126-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated November 28, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 28, 2000.

Gorham-Fayette Local School District
Fulton County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the audit committee, management, and the Board of Education, and is not intended to be and should not be used by anyone other than those specified parties.

Jim Petro
Auditor of State

November 28, 2000

**GORHAM-FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2000**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2000-10126-001

Noncompliance Citation

Ohio Administrative Code § 117-2-13 (B) [replaced by Ohio Administrative Code § 117-2-02, as of July 1, 2000] states the District shall post to each appropriation account an amount equal to the amount appropriated for that account in the annual appropriation resolution(s). The Board of Education authorized increases in appropriations for the Special Revenue Funds (\$54,247.) However, these amounts were not recorded into the District's accounting system.

In addition, the Capital Projects Funds had appropriations (\$50,000) recorded in the District's accounting system which were not part of the annual appropriation resolution or any supplemental appropriation resolutions.

These situations resulted in budget expenditures being misstated on the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual". Special Revenue fund types were understated by \$54,247. Capital Projects fund types were overstated by \$50,000. We adjusted the accompanying financial statements to reflect the actions of the Board of Education.

Inaccurate budgetary information could cause management to draw incorrect conclusions regarding the District's financial position.

We recommend that appropriations posted to the District's accounting reflect all modifications or supplements approved by the Board of Education.

FINDING NUMBER 2000-10126-002

Noncompliance Citation

Ohio Administrative Code § 117-2-12 (A) & (B), [replaced by Ohio Administrative Code § 117-2-02, as of July 1, 2000] states each District shall maintain a receipts ledger which shall contain a separate sheet for each account established by the District. The District shall post to each receipts account the estimated amount of money to be received into the account as specified by the county budget commission in its official estimate of balances and receipts set forth in the certificate of estimated resources.

In fiscal year 2000, the Special Revenue and Capital Projects Fund Types had revenues of \$107,099 and \$50,500, respectively, which were included in the District's Official Certificate of Estimated Resources, but these amounts were not recorded in the District's accounting system.

FINDING NUMBER 2000-10126-002
(Continued)

This resulted in budget revenues on the “Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget an Actual” being understated for these fund types. We adjusted the accompanying financial statements to reflect the actions of the Board of Education.

Inaccurate budget to actual comparisons could cause management to draw incorrect conclusions regarding financial position.

We recommend that the taxes revenue and total other sources revenue amounts posted to the revenue history reports should be reconciled with the taxes revenue and total other sources revenue amounts officially approved on the Amended Certificates of Estimated Resources.



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GORHAM-FAYETTE LOCAL SCHOOL DISTRICT

FULTON 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
DECEMBER 19, 2000**