



Dave Yost • Auditor of State



**GRAHAM LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Graham Local School District, Champaign County, (the School District), as of and for the fiscal year ended June 30, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Graham Local School District, Champaign County, Ohio, as of June 30, 2010, and the respective changes in financial position, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2011, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and the Schedule of Revenues, Expenditures, and Changes In Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements taken as a whole. The Schedule of Federal Awards Receipts and Expenditures provides additional information required by the 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 basic financial statements. The Schedule of Federal Awards Receipts and Expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This Schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

February 3, 2011

**GRAHAM LOCAL SCHOOL DISTRICT**  
**CHAMPAIGN COUNTY, OHIO**

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
Unaudited

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The discussion and analysis of the Graham Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2010 are as follows:

*Overall:*

- Total net assets decreased \$506,673, which represents a 1.64% decrease from fiscal year 2009.
- Total assets of governmental activities decreased by \$1.9 million from the total assets reported one year prior. The decrease in assets is primarily related to a decrease in current assets in the current year.
- General revenues accounted for \$17.8 million or 81.8% of total revenue. Program specific revenues in the form of charges for services as well as operating grants and contributions account for \$4.0 million or 18.2% of total revenues of \$21.8 million.
- Of the School District's \$22.3 million in expenses, \$4.0 million were offset by program specific charges for services, grants or contributions.
- The General Fund had \$16.7 million in revenues and \$17.0 million in expenditures representing 52.51% and 52.50% of the total governmental funds revenues and expenditures, respectively.

**Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Graham Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregated view of the School District's finances and a longer-term view of those statements. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Graham Local School District, the General Fund, Bond Retirement Fund, Permanent Improvement and Classroom Facilities Fund are the most significant funds.

**GRAHAM LOCAL SCHOOL DISTRICT**  
**CHAMPAIGN COUNTY, OHIO**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
Unaudited

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Reporting the School District as a Whole

***B. Statement of Net Assets and the Statement of Activities***

While this document contains a large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District reports governmental activities. Governmental activities are the activities where most of the School District's programs and services are including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. In addition to the governmental activities of the School District, the Statement of Net Assets and the Statement of Activities includes Graham Digital Academy and A.B. Graham Academy, which are classified as component units. Financial information for the component units may be obtained from their administrative offices located at 370 East Main Street, St Paris, Ohio 43072. The School District does not have any business-type activities.

Reporting the School District's Most Significant Funds

***C. Fund Financial Statements***

The analysis of the School District's funds begins on after the statement of activities. The School District uses many funds to account for a multitude of financial transactions. However, these funds financial statements focus on the School District's most significant funds (major funds), and therefore only the General Fund, Bond Retirement Fund, Permanent Improvement and Classroom Facilities Fund are presented separate from the other governmental funds; the less significant funds (non-major funds) are aggregated and presented on the fund financial statement in a single column.

**GRAHAM LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
Unaudited

***Governmental Funds***

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**The School District as a Whole**

Table 1 provides a summary of the School District's net assets at June 30, 2010 as compared to June 30, 2009:

**TABLE 1  
NET ASSETS, JUNE 30**

	2010	2009
<b>ASSETS:</b>		
Current and Other Assets	\$ 15,682,925	27,393,169
Capital Assets	42,630,956	32,827,519
Total Assets	58,313,881	60,220,688
 <b>LIABILITIES</b>		
Current Liabilities	7,146,502	8,217,228
Noncurrent Liabilities	20,687,086	21,016,494
Total Liabilities	27,833,588	29,233,722
 <b>NET ASSETS:</b>		
Invested in Capital Assets, Net of Debt	23,853,230	13,483,719
Restricted	7,524,956	17,874,711
Unrestricted	(897,893)	(371,464)
Total Net Assets	\$ 30,480,293	30,986,966

The amount by which the School District's assets exceeded its liabilities is called net assets. As of June 30, 2010, the School District's net assets were \$30.5 million. Total net assets decreased during the fiscal year by 1.64%, however the unrestricted net assets of the School District decreased by nearly \$0.5 million. The decrease in restricted net assets is due primarily to the cash received associated with the Ohio School Facilities Project in the prior year. Capital asset additions exceeding current year depreciation expense, as well as the payment of scheduled debt payments contributed to the increase in net assets, net of related debt.

**GRAHAM LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

Management's Discussion and Analysis  
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The \$11.7 million decrease in current and other assets during fiscal year 2010 is related to activity associated with the Ohio School Facilities Project. A \$10.6 million intergovernmental receivable was booked during fiscal year 2009 representing the remaining capital grant approved by the State, but was not paid as of June 30, 2009.

The \$1.1 million decrease in the current liabilities reported at June 30, 2010 compared with one year prior is due in large part to the decrease of \$0.9 million in contracts payable reported associated with the Ohio School Facilities Project noted above from the prior year.

Table 2 shows the changes in net assets for fiscal year ended June 30, 2010 as compared to June 30, 2009.

**TABLE 2  
CHANGE IN NET ASSETS, JUNE 30**

	<u>2010</u>	<u>2009</u>
<b>REVENUES:</b>		
Program Revenues:		
Charges for Services	\$ 1,744,374	1,671,046
Operating Grants and Contributions	2,219,002	1,047,301
Capital Grants and Contributions	-	20,454,074
General Revenues:		
Property Taxes	5,818,810	5,613,359
Grants and Entitlements	11,680,587	12,333,788
Investment Earnings	38,625	67,704
Other	280,754	268,801
Total Revenues	<u>21,782,152</u>	<u>41,456,073</u>
<b>PROGRAM EXPENSES:</b>		
Instruction	12,271,281	12,653,497
Support Services:		
Pupils and Instructional Staff	2,511,199	2,499,506
Board of Education, Administration		
Fiscal and Business	2,143,280	2,159,094
Operation and Maintenance of Plant	1,573,031	2,434,299
Pupil Transportation	1,293,797	1,414,425
Central	225,897	208,392
Operation of Non-Instructional Services	782,880	765,958
Extracurricular Activities	556,092	570,078
Interest and Fiscal Charges	931,368	954,374
Total Expenses	<u>22,288,825</u>	<u>23,659,623</u>
Change in Net Assets	\$ <u>(506,673)</u>	<u>17,796,450</u>

**GRAHAM LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
Unaudited

Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. Property taxes made up 26.71% percent of revenues for governmental activities for the Graham Local School District for fiscal year 2010. The School District is extremely dependent upon intergovernmental revenues provided by the State of Ohio and the federal government; approximately 63.81% of the School District's total revenue was received from intergovernmental sources during fiscal year 2010.

For fiscal year 2010, the total revenue reported by the School District decreased 47.46% or \$19.7 million. This is almost exclusively related to the \$20.5 million of intergovernmental revenue associated with the Ohio School Facilities building project from the prior year.

Total expenses reported for fiscal year 2010 were \$1.4 million lower than the prior fiscal year. Most of the decrease in expense (\$.8 million) is reported in the operation and maintenance of school property and facilities. The decrease in the operation and maintenance of plant is related to the OSFC project nearing its conclusion in the current year.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state entitlements.

**TABLE 3  
TOTAL AND COST OF PROGRAM SERVICES  
FOR THE FISCAL YEAR ENDED JUNE 30,**

	2010		2009	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 12,271,281	10,305,855	12,653,497	11,313,743
Support Services:				
Pupils and Instructional Staff	2,511,199	1,739,103	2,499,506	2,177,112
Board of Education, Administration, Fiscal and Business	2,143,280	1,926,334	2,159,094	2,155,054
Operation and Maintenance of Plant	1,573,031	1,506,622	2,434,299	(18,084,406)
Pupil Transportation	1,293,797	1,293,797	1,414,425	1,414,425
Central	225,897	220,897	208,392	201,963
Operation of Non-Instructional Services	782,880	24,150	765,958	(10,803)
Extracurricular Activities	556,092	377,323	570,078	365,740
Interest and Fiscal Charges	931,368	931,368	954,374	954,374
Total Expenses	\$ 22,288,825	18,325,449	23,659,623	487,202

**GRAHAM LOCAL SCHOOL DISTRICT**  
**CHAMPAIGN COUNTY, OHIO**

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
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In fiscal year 2010, the School District reported \$4.0 million of program specific revenue compared with the \$23.2 million reported in the prior year. The decrease is almost exclusively the decrease of \$10.3 million in the capital grant associated with the Ohio School Facilities Project from the prior year to the current year.

The School District's Funds

On the modified accrual basis of accounting, governmental funds had total revenues of \$31.9 million and expenditures of \$32.4 million. Of the School District's four major funds, the most significant changes from fiscal year 2009 were noted in the General Fund and Classroom Facilities Fund. During the fiscal year, the Classroom Facilities Fund reported a decrease in fund balance of \$343,256 due to \$10.3 million of intergovernmental revenue from the Ohio School Facilities Commission and \$10.6 million of capital outlay associated with construction payments for progress made as of year-end for school building project. The School District's operating fund, the General Fund, reported a decrease in fund balance of nearly \$0.4 million due to a \$0.8 million decrease in expenditures couple with a \$0.4 million decrease in revenues.

General Fund Budgeting Highlights

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

Actual property tax revenue reported for fiscal year 2010 was \$446,363 less than revenue anticipated by the School District due to delinquencies in payment of property taxes for the year. Also, the School District received only 97.3% of the total intergovernmental revenue it anticipated receiving for the year, primarily through the state foundation program. These two revenue accounts comprise 96.2% of the \$0.8 million difference between total actual revenue reported compared with the estimated revenue for the year.

The actual expenditures of the General Fund on a budgetary basis (actual expenditures plus encumbrances) totaled \$17.4 million; \$526,727 less than the budgetary expenditures anticipated at the beginning of the fiscal year and \$784,637 less than the expenditure amount included in the final amended budget for the year. There were no significant variances between actual expenditures and budgeted expenditures for any of the functional areas reported.

The ending budgetary fund balance (unencumbered cash balance) decreased from \$0.8 million reported at the beginning of the year to \$62,372 reported at year end. The ending budgetary fund balance represents 0.4% of the total budgetary expenditures reported for the General Fund for the year.

Capital Assets

At the end of fiscal year 2010, the School District had \$42.6 million invested in land, buildings, furniture and equipment, and vehicles in governmental activities.

**GRAHAM LOCAL SCHOOL DISTRICT**  
**CHAMPAIGN COUNTY, OHIO**

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
Unaudited

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Additions of capital assets during the year totaled \$10.9 million with no current year deletions. The majority of the additions were associated with the school building project. Additions include \$10.8 million in construction in progress associated with the new school. Other significant additions included \$80,175 in vehicles; one truck and one school bus.

Table 4 shows fiscal year 2010 balances compared to 2009:

**TABLE 4**  
**CAPITAL ASSETS, JUNE 30**

	<u>2010</u>	<u>2009</u>
Land	\$ 372,941	372,941
Construction in Progress	14,681,567	3,837,259
Buildings	32,105,377	32,105,377
Improvements	1,315,729	1,315,729
Furniture and Equipment	2,556,149	2,556,149
Vehicles	2,037,272	1,957,097
Less: Accumulated Depreciation	<u>(10,438,079)</u>	<u>(9,317,033)</u>
Total Net Capital Assets	\$ <u>42,630,956</u>	<u>32,827,519</u>

See Note 7 to the financial statements for additional information on the School District's capital assets.

Capital Lease/Debt Administration

At June 30, 2010, the School District had two capital leases with an outstanding balance of \$632,000, of which \$136,000 was due within one year. These leases are capitalized as building improvements within the governmental activities. Principal payments for fiscal year 2010 totaled \$130,000.

At June 30, 2010, the School District had two general obligation bonds outstanding totaling \$18.3 million at year-end, of which \$470,000 is due within one year.

The School District's overall debt margin was \$3,835,527 with an unvoted debt margin of \$229,128 at June 30, 2010.

For more detailed information regarding the School District's debt obligations, see Notes 13 and 14 to the financial statements.

**GRAHAM LOCAL SCHOOL DISTRICT**

**CHAMPAIGN COUNTY, OHIO**

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

Unaudited

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Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Treasurer's Office at Graham Local School District, 370 East Main Street, St. Paris, Ohio 43072 or call (937) 663-4123.

**GRAHAM LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

*Statement of Net Assets  
June 30, 2010*

	Primary Government <u>Governmental Activities</u>	Component Unit <u>Graham Digital Academy</u>	Component Unit <u>A.B. Graham Academy</u>
<b>ASSETS:</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 8,710,645	1,464	59,897
Cash and Cash Equivalents with Fiscal Agent	246,014	-	-
Receivables:			
Taxes	6,209,707	-	-
Intergovernmental	415,235	13,852	4,265
Materials and Supplies Inventory	11,843	-	-
Deferred Charges - Bond Issuance Costs	89,481	-	-
Capital assets not subject to depreciation	15,054,508	-	-
Capital assets, net of accumulated depreciation	<u>27,576,448</u>	<u>203,862</u>	<u>27,591</u>
 Total Assets	 <u>58,313,881</u>	 <u>219,178</u>	 <u>91,753</u>
<b>LIABILITIES:</b>			
Accounts Payable	147,971	1,887	3,631
Contracts Payable	888,508	-	-
Accrued Wages and Benefits	1,624,588	-	-
Retainage Payable	246,014	-	-
Intergovernmental Payable	469,051	26,875	12,079
Unearned Revenue	3,770,370	-	-
Noncurrent Liabilities:			
Due Within One Year	694,483	3,804	-
Due In More Than One Year	<u>19,992,603</u>	<u>7,271</u>	<u>-</u>
 Total Liabilities	 <u>27,833,588</u>	 <u>39,837</u>	 <u>15,710</u>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	23,853,230	192,787	27,591
Restricted for:			
Building Maintenance	759,107	-	-
Debt Service	930,776	-	-
Capital Projects	5,835,073	-	-
Unrestricted	<u>(897,893)</u>	<u>(13,446)</u>	<u>48,452</u>
 Total Net Assets	 <u>\$ 30,480,293</u>	 <u>179,341</u>	 <u>76,043</u>

See accompanying notes to the basic financial statements.

**GRAHAM LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

*Statement of Activities  
For the Fiscal Year Ended June 30, 2010*

<b>Functions/Programs:</b>	Primary Government				Net (Expense) Revenue and Changes in Net Assets	Component Unit Graham Digital Academy	Component Unit A.B. Graham Academy
	Expenses	Program Revenues		Governmental Activities			
		Charges for Services	Operating Grants and Contributions				
Primary Government:							
Governmental Activities:							
Instruction:							
Regular	\$ 8,315,420	970,829	396,739	(6,947,852)	-	-	
Special	2,259,574	-	481,832	(1,777,742)	-	-	
Vocational	436	-	-	(436)	-	-	
Adult/Continuing	1,581,128	-	116,026	(1,465,102)	-	-	
Other	114,723	-	-	(114,723)	-	-	
Support Services:							
Pupils	1,080,425	154,183	127,973	(798,269)	-	-	
Instructional Staff	1,430,774	-	489,940	(940,834)	-	-	
Board of Education	71,008	-	-	(71,008)	-	-	
Administration	1,587,109	-	215,644	(1,371,465)	-	-	
Fiscal	446,469	-	-	(446,469)	-	-	
Business	38,694	-	1,302	(37,392)	-	-	
Operation and Maintenance of Plant	1,573,031	-	66,409	(1,506,622)	-	-	
Pupil Transportation	1,293,797	-	-	(1,293,797)	-	-	
Central	225,897	-	5,000	(220,897)	-	-	
Operation of Non-Instructional Services	782,880	440,593	318,137	(24,150)	-	-	
Extracurricular Activities	556,092	178,769	-	(377,323)	-	-	
Interest and Fiscal Charges	931,368	-	-	(931,368)	-	-	
<b>Total Primary Government</b>	<u>22,288,825</u>	<u>1,744,374</u>	<u>2,219,002</u>	<u>(18,325,449)</u>	<u>-</u>	<u>-</u>	
Component Units:							
Graham Digital Academy	652,574	-	280,510	-	(372,064)	-	
A.B. Graham Academy	893,267	-	964,061	-	-	70,794	
<b>Total Component Units</b>	<u>\$ 1,545,841</u>	<u>-</u>	<u>1,244,571</u>	<u>-</u>	<u>(372,064)</u>	<u>70,794</u>	
General Revenues:							
Property Taxes Levied for:							
General Purposes				4,356,164	-	-	
Special Purposes				88,693	-	-	
Debt Service				1,131,676	-	-	
Capital Outlay				242,277	-	-	
Grants, Entitlements and Contributions not Restricted to Specific Programs				11,680,587	-	-	
Investment Earnings				38,625	957	857	
Other Revenue				280,754	60,594	4,392	
<b>Total General Revenues</b>				<u>17,818,776</u>	<u>61,551</u>	<u>5,249</u>	
Change in Net Assets				(506,673)	(310,513)	76,043	
Net Assets, Beginning of Year				<u>30,986,966</u>	<u>489,854</u>	<u>-</u>	
Net Assets, End of Year				<u>30,480,293</u>	<u>179,341</u>	<u>76,043</u>	

See accompanying notes to the basic financial statements.

**GRAHAM LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

*Balance Sheet  
Governmental Funds  
June 30, 2010*

	General Fund	Bond Retirement	Permanent Improvement	Classroom Facilities Fund	Nonmajor Governmental Funds
<b>ASSETS:</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 317,159	1,070,773	343,110	5,928,827	1,050,776
Cash and Cash Equivalents with Fiscal Agent	-	-	-	246,014	-
Receivables:					
Taxes	4,639,285	1,206,294	269,683	-	94,445
Intergovernmental	58,391	-	-	350,371	6,473
Materials and Supplies Inventory	-	-	-	-	11,843
<b>Total Assets</b>	<b>\$ 5,014,835</b>	<b>2,277,067</b>	<b>612,793</b>	<b>6,525,212</b>	<b>1,163,537</b>
<b>LIABILITIES:</b>					
Accounts Payable	\$ 127,331	-	-	-	20,640
Contracts Payable	-	-	-	888,508	-
Accrued Wages and Benefits	1,402,014	-	-	-	222,574
Retainage Payable	-	-	-	246,014	-
Intergovernmental Payable	399,588	-	-	-	69,463
Compensated Absences Payable	62,679	-	-	-	25,804
Unearned Revenue	3,068,275	798,023	182,294	230,721	62,843
<b>Total Liabilities</b>	<b>5,059,887</b>	<b>798,023</b>	<b>182,294</b>	<b>1,365,243</b>	<b>401,324</b>
<b>FUND BALANCES:</b>					
Reserved for:					
Encumbrances	153,895	-	21,393	2,341,550	265,325
Materials and Supplies Inventory	-	-	-	-	11,843
Property Taxes	1,571,010	408,271	87,389	-	31,973
Unreserved, Undesignated:					
General Fund	(1,769,957)	-	-	-	-
Special Revenue Funds	-	-	-	-	453,072
Debt Service Fund	-	1,070,773	-	-	-
Capital Projects Funds	-	-	321,717	2,818,419	-
<b>Total Fund Balances</b>	<b>(45,052)</b>	<b>1,479,044</b>	<b>430,499</b>	<b>5,159,969</b>	<b>762,213</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,014,835</b>	<b>2,277,067</b>	<b>612,793</b>	<b>6,525,212</b>	<b>1,163,537</b>

See accompanying notes to the basic financial statements.

**GRAHAM LOCAL SCHOOL DISTRICT**  
**CHAMPAIGN COUNTY, OHIO**  
*Reconciliation of Total Governmental Fund Balances*  
*to Net Assets of Governmental Activities*  
*June 30, 2010*

	<hr/>		
Total Governmental Funds		Total Governmental Fund Balances	\$ 7,786,673
8,710,645		Amounts reported for governmental are different because:	
246,014			
6,209,707		Some assets used in the governmental activities are not financial resources and therefore are not reported in the the funds	
415,235		Capital Assets	42,630,956
11,843		Unamortized Bond Costs	89,481
<u>15,593,444</u>			
147,971		Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	571,786
888,508			
1,624,588		Long-term liabilities, which are not due and payable	
246,014		in the current period and therefore are not reported in the funds	
469,051		Compensated Absences	(1,205,818)
88,483		Capital Lease Payable	(632,000)
4,342,156		Unamortized Premium	(542,631)
<u>7,806,771</u>		Deferred Amount on Refunding	46,905
2,782,163		General Obligations Bonds Payable	<u>(18,265,059)</u>
11,843			
2,098,643		Net Assets of Governmental Activities	\$ <u>30,480,293</u>
(1,769,957)			
453,072			
1,070,773			
<u>3,140,136</u>			
7,786,673			
<u>15,593,444</u>			

See accompanying notes to the basic financial statements.

**GRAHAM LOCAL SCHOOL DISTRICT**  
**CHAMPAIGN COUNTY, OHIO**  
*Statement of Revenues, Expenditures and*  
*Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2010*

	General Fund	Bond Retirement	Permanent Improvement	Classroom Facilities Fund	Nonmajor Governmental Funds
<b>REVENUES:</b>					
Taxes	\$ 4,244,446	1,102,418	236,049	-	86,278
Intergovernmental	11,346,799	236,943	96,484	10,274,881	2,219,002
Investment Earnings	13,527	-	-	6,645	18,453
Tuition and Fees	970,829	-	-	-	-
Charges for Services	-	-	-	-	440,593
Extracurricular Activities	-	-	-	-	332,952
Gifts and Donations	-	-	-	-	27,573
Miscellaneous	160,371	-	45,317	5,766	2,777
<b>Total Revenues</b>	<u>16,735,972</u>	<u>1,339,361</u>	<u>377,850</u>	<u>10,287,292</u>	<u>3,127,628</u>
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular	6,764,345	-	-	-	475,232
Special	1,731,942	-	-	-	537,960
Vocational	436	-	-	-	-
Adult/Continuing	1,579,078	-	-	-	118,773
Support Services:					
Pupils	773,625	-	-	-	298,090
Instructional Staff	861,888	-	-	-	549,632
Board of Education	71,008	-	-	-	-
Administration	1,379,691	-	-	-	229,348
Fiscal	392,824	27,706	14,097	-	2,182
Business	38,315	-	-	-	-
Operation and Maintenance of Plant	1,421,031	-	15,175	-	106,488
Pupil Transportation	1,413,834	-	43,333	-	-
Central	219,950	-	-	-	5,947
Operation of Non-Instructional Services	-	-	-	-	751,782
Extracurricular Activities	348,052	-	-	-	200,818
Capital Outlay	-	-	36,890	10,630,548	-
Debt Service:					
Principal	22,000	430,000	113,935	-	-
Interest	12,762	801,046	17,990	-	-
<b>Total Expenditures</b>	<u>17,030,781</u>	<u>1,258,752</u>	<u>241,420</u>	<u>10,630,548</u>	<u>3,276,252</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	<u>(294,809)</u>	<u>80,609</u>	<u>136,430</u>	<u>(343,256)</u>	<u>(148,624)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from Sale of Capital Assets	600	-	-	-	-
Transfers In	-	-	-	-	55,365
Transfers Out	(55,365)	-	-	-	-
Refund of Prior Year Expenditures	36,326	1,578	324	-	122
Refund of Prior Year Receipts	(68,509)	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>(86,948)</u>	<u>1,578</u>	<u>324</u>	<u>-</u>	<u>55,487</u>
Net Change in Fund Balances	(381,757)	82,187	136,754	(343,256)	(93,137)
Fund Balance, Beginning of Year	336,705	1,396,857	293,745	5,503,225	855,350
Fund Balance, End of Year	\$ <u>(45,052)</u>	<u>1,479,044</u>	<u>430,499</u>	<u>5,159,969</u>	<u>762,213</u>

See accompanying notes to the basic financial statements.

**CHAMPAIGN COUNTY, OHIO**  
*Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Fiscal Year Ended June 30, 2010*

Total Governmental Funds	Total Net Change in Fund Balances - Total Governmental Funds	\$ (599,209)
5,669,191	Amounts reported for governmental activities in the statement of activities are different because:	
24,174,109		
38,625		
970,829	Governmental funds report capital outlays as expenditures.	
440,593	However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In addition, the disposal of capital assets is only recognized in governmental funds to the extent cash is received for those assets. The entire gain or loss on the disposal is recorded in statement of activities.	
332,952		
27,573		
214,231		
31,868,103	Capital Asset Additions	10,924,483
	Current Year Depreciation	(1,121,046)
7,239,577		
2,269,902	Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	(10,124,901)
436		
1,697,851		
1,071,715		
1,411,520	Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	565,935
71,008		
1,609,039		
436,809		
38,315		
1,542,694		
1,457,167	Some expenses reported in the statement of activities, such as compensated absences and intergovernmental payables which represents contractually required pension contributions, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
225,897		
751,782	Compensated Absences	(48,613)
548,870	Amortization of Premium	23,592
10,667,438	Amortization of Deferred Amount on Refunding	(23,453)
	Unamortized Bond Issuance Costs	(3,891)
565,935	Accreted Interest on Capital Appreciation Bonds	(99,570)
831,798		
32,437,753		
(569,650)	Change in Net Assets of Governmental Activities	\$ (506,673)
600		
55,365		
(55,365)		
38,350		
(68,509)		
(29,559)		
(599,209)		
8,385,882		
7,786,673		

See accompanying notes to the basic financial statements.

**GRAHAM LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

*Statement of Fiduciary Net Assets*

*Fiduciary Funds*

*June 30, 2010*

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	Scholarship Private- Purpose Trust Funds	Agency Fund
<b>ASSETS:</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 118,410	45,897
Receivables:		
Notes	<u>60,000</u>	<u>-</u>
Total Assets	\$ <u>178,410</u>	<u>45,897</u>
<b>LIABILITIES:</b>		
Accounts Payable	\$ 2,000	-
Due to Students	<u>-</u>	<u>45,897</u>
Total Liabilities	<u>2,000</u>	<u>45,897</u>
<b>NET ASSETS:</b>		
Held in Trust for Scholarships	\$ <u>176,410</u>	

See accompanying notes to the basic financial statements.

**GRAHAM LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

*Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the Fiscal Year Ended June 30, 2010*

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	<u>Scholarship Private- Purpose Trust Funds</u>
<b>ADDITIONS:</b>	
Investment Earnings	\$ 2,081
Miscellaneous	85
Miscellaneous	<u>5,000</u>
Total Additions	<u>7,166</u>
<b>DEDUCTIONS:</b>	
Educational Outreach	<u>7,000</u>
Total Deductions	<u>7,000</u>
Change in Net Assets	166
Net Assets, Beginning of Year	<u>176,244</u>
Net Assets, End of Year	\$ <u><u>176,410</u></u>

See accompanying notes to the basic financial statements.

**GRAHAM LOCAL SCHOOL DISTRICT**  
**CHAMPAIGN COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Graham Local School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution of the State of Ohio. The School District operates under a locally elected, five-member Board of Education (Board) to provide educational and other services as required and permitted by the laws and regulations of the State of Ohio and United States of America.

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, Rosewood, and St. Paris, and portions of Adams, Concord, Harrison, Jackson, Johnson, and Mad River Townships. The School District is staffed by 100 classified employees, 140 certified teaching personnel, and 12 administrative employees who provide services to 2,200 students and other community members. The School District currently operates 3 instructional buildings and an administration building.

**Reporting Entity:** A reporting entity is comprised 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, student guidance, extracurricular activities, educational media, care and upkeep of grounds and buildings, preschool 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 assumed 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 levying of taxes or the issuance of debt for the organization.

The component unit columns on the government-wide financial statements identify the financial data of the School District's discretely presented component units, Graham Digital Academy and A.B. Graham Academy. They are reported separately to emphasize that they are legally separate from the School District.

**Graham Digital Academy:** Graham Digital Academy (Academy) is a legally separate not-for-profit organization served by an appointed seven-member Board of Directors (Board). The Academy was approved for operation under contract with the School District for a period of five years commencing July 1, 2007. The School District is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The Board consists of five voting members who are not employed by the School District and two non-voting members who hold administrative positions with the School District. The Board is responsible for carrying out provisions of the contract, which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualifications of teachers.

**GRAHAM LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY (Continued)**

**A.B. Graham Academy:** A.B. Graham Academy (Academy) is a legally separate not-for-profit organization served by an appointed seven-member Board of Directors (Board). The Academy was approved for operation under contract with the School District until superseded by a mutually agreed upon service agreement commencing October 26, 2009. The School District is responsible for evaluating the performance of the Academy and has the right to terminate this agreement with a 90-day notice to the Academy. The Board consists of five voting members who are not employed by the School District and two non-voting members who hold administrative positions with the School District. The Board is responsible for carrying out provisions of the contract, which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualifications of teachers.

Therefore, the Academies are reflected as component units of Graham Local School District. The Academies operate on a fiscal year ending June 30. For the year ending June 30, 2010, Graham Digital Academy and A.B. Graham Academy paid \$18,996 and \$16,060 to the School District for fiscal services and \$251,738 and \$360,893 for administrative and instructional services, respectively. The Academies each issue a publicly available, stand-alone financial report that includes financial statements and supplementary information. These reports may be obtained by writing to the Administrative Offices, 370 East Main Street, St. Paris, Ohio 43072 or by calling (937) 663-4123.

The School District is associated with four jointly governed organizations, an insurance purchasing pool and a related organization. These organizations are presented in Notes 15, 16 and 17 to the basic financial statements. These organizations are:

**Jointly Governed Organizations:**

Ohio Hi-Point Joint Vocational School  
Western Ohio Computer Organization  
Southwestern Ohio Education Purchasing Council  
Southwestern Ohio Instructional Technology Association

**Insurance Purchasing Pool:**

Ohio School Boards Association Workers' Compensation Group Rating Plan

**Related Organization:**

St. Paris Public Library

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the 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 government-wide activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**GRAHAM LOCAL SCHOOL DISTRICT**  
**CHAMPAIGN COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***A. Basis of Presentation***

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

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the School District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

**Fund Financial Statements**

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

***B. Fund Accounting***

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid 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. The various funds of the School District are grouped into the categories governmental and fiduciary.

**GRAHAM LOCAL SCHOOL DISTRICT**  
**CHAMPAIGN COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Governmental Funds

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The School District has four major funds; the General Fund, Bond Retirement, Permanent Improvement and Classroom Facilities Fund.

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

Bond Retirement – The Bond Retirement Fund is used to account for the accumulation of resources for, and the payment of, long-term debt issued to pay for the local share of the Classroom Facilities Assistance Program.

Permanent Improvement – The Permanent Improvement Fund is used to account for all transactions related to acquiring, constructing, and improving buildings and grounds to extend their useful life beyond five years.

Classroom Facilities Fund – The Classroom Facilities Fund is used to maintain the intergovernmental revenue and report the expenditures associated with the new school building construction project approved by the Ohio School Facilities Commission.

The other governmental funds of the School District account for grants and other resources and capital projects of the School District whose uses are restricted to a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District has various funds established to provide scholarships to its students that are classified as private-purpose trust funds. Funds used to account for the activity of the numerous student-managed activities within the School District are classified as agency funds.

***C. Measurement Focus***

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the Statement of Net Assets.

**GRAHAM LOCAL SCHOOL DISTRICT**  
**CHAMPAIGN COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Fiduciary funds are reported using the economic resources measurement focus.

***D. Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “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. For the School District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, grants, investment earnings, tuition, and student fees.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue.

**GRAHAM LOCAL SCHOOL DISTRICT**  
**CHAMPAIGN COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

On governmental fund financial statements, receivables that will not be collected within the available period are reported as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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 governmental funds

***E. Budget Data***

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The Board has established the legal level of control at the fund/object level for the General Fund and the fund level for all other funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue, are identified by the School District. The amounts reported as the original budgeted amounts in the budgetary schedule in the required supplementary information reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary schedule in the required supplementary information reflect the amounts in the final amended certificate issued during fiscal year 2010.

The appropriation resolution is subject to amendment by the Board throughout the school year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

***F. Cash and Cash Equivalents***

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

During fiscal year 2010, investments included were limited to government securities and government agency securities.

**GRAHAM LOCAL SCHOOL DISTRICT**  
**CHAMPAIGN COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Except for nonparticipating investment contracts, investments are reported at fair value that is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost. Investments of 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 reported as cash equivalents.

The School District allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year was \$13,527 and of this amount \$12,978 was assigned from other funds. Interest was also recorded in the Classroom Facilities Fund in the amount of \$6,645 and nonmajor governmental funds of \$18,453. The private-purpose scholarship fund recorded interest of \$2,081.

***G. Materials and Supplies Inventory***

On government-wide financial statements, inventories are presented at the lower cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption, donated food, and purchased food. The cost of inventory items is recorded as an expenditure in the governmental fund types when used.

***H. Estimates***

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

***I. Capital Assets and Depreciation***

General capital assets generally result from expenditures in the governmental funds. These assets are reported within the governmental activities on the government-wide statement of net assets but are not reported in the fund statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements throughout the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of three thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; 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.

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method, using the half-year convention, over the following useful lives.

**GRAHAM LOCAL SCHOOL DISTRICT**  
**CHAMPAIGN COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Description	Estimated Lives
Buildings and Improvements	20 - 50 years
Furniture and Equipment	5 – 20 years
Vehicles	8 years

***J. Interfund Activity***

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures or expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources and uses in governmental funds. Repayments from funds responsible for particular expenditures or expenses to the funds that initially paid for them are not presented on the financial statement.

***K. 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.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that represents severance payments to individuals who retired prior to the end of the fiscal year, but did not receive payment until after year-end. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The non-current portion of the liability is not reflected in the fund statements.

***L. Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that once incurred are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term notes, general obligation bonds, and capital leases are recognized as a liability on the governmental fund financial statements when due.

**GRAHAM LOCAL SCHOOL DISTRICT**  
**CHAMPAIGN COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***M. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. At June 30, 2010, none of the restricted net assets reported by the school district were restricted by enabling legislation.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

***N. 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 that is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

**NOTE 3 – ACCOUNTABILITY**

The following funds have fund equity deficits as of June 30, 2010:

	<u>Deficit Fund Equity</u>
General Fund:	\$ 45,052
Special Revenue Funds:	
Title VI-B	28,779
Fiscal Stabilization	90,463
Title I	82,826
Title VI-B - Preschool	4,625
Reducing Class Size	11,651
Agency Fund:	
Student Managed Activity	17,659

The fund equity deficits resulted from adjustments for accrued liabilities. Management expects the deficits in these funds to be corrected in early fiscal year 2011.

**GRAHAM LOCAL SCHOOL DISTRICT**  
**CHAMPAIGN COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**NOTE 4 – DEPOSITS AND INVESTMENTS**

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 repayment of all public monies deposited with the institution.

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim monies 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.

**Deposits**

Custodial credit risk is the risk that in the event of bank failure, the School District's deposits may not be returned to it. By Ohio law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds on deposit with that specific institution. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end, the carrying amount of the School District's deposits was \$7,910,264 and the bank balance was \$8,449,598. Of the bank balance, \$979,073 was covered by federal depository insurance and \$7,470,525 was collateralized with securities held by the pledging financial institution's agent but not in the School District's name.

**Investments:** Investments are required to be reported at fair value. The Ohio Revised Code authorizes the School District to invest in United States and State of Ohio Bonds, notes and other obligations; bank certificate of deposits; banker's acceptances; commercial paper notes rated prime and issued by United States Corporations; and STAROhio. Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. During fiscal year 2010, the District's invested in Federal Home Loan Bank Bonds and Notes, Federal Home Loan Mortgage Corporation Bonds and Notes, Federal National Mortgage Association Bonds and Notes and short term U.S. Treasury obligations. There is no custodial credit risk associated with the investments because they are registered in the name of the District.

**GRAHAM LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

**NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)**

As of June 30, 2010, the School District had the following investments:

	<b>Fair Value</b>	<b>Percent of Total Portfolio</b>	<b>Credit Rating</b>	<b>Weighted Average Maturity</b>
Federal Home Loan Bank	889,902	73.50%	AAA	1.12 years
Federal National Mortgage Association	189,032	15.62%	AAA	0.46 years
Federal Home Loan Mortgage Corp.	129,439	10.69%	AAA	0.98 years
Short Term US Treasury Obligations	2,329	0.19%	AAA	N/A
Total Investments	1,210,702	100.00%		
Portfolio Weighted Average Maturity				1.00 years

**Interest Rate Risk:** As a means of limiting its exposure to fair value losses arising from rising interest rates, and according to State law, the District’s investment policy limits investment portfolio maturities to five years or less.

**Component Units:** As of June 30, 2010, Graham Digital and A.B. Graham Academy's bank balances of \$15,367 and \$111,891, respectively, were covered by FDIC.

**NOTE 5 – PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2010 for real and public utility property taxes represents collections of calendar 2009 taxes. Property tax payments received during calendar 2010 for tangible personal property (other than public utility property) is for calendar 2010 taxes.

2010 real property taxes are levied after April 1, 2009, on the assessed value as of January 1, 2009, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

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.

**GRAHAM LOCAL SCHOOL DISTRICT**  
**CHAMPAIGN COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

**NOTE 5 – PROPERTY TAXES (Continued)**

The assessed values upon which fiscal year 2010 taxes were collected are:

	2010 First Half Collections		2009 Second Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 203,119,870	88.65%	201,211,010	89.04%
Public Utility	5,873,250	2.56%	5,930,650	2.62%
Tangible Personal Property	20,135,120	8.79%	18,842,620	8.34%
Total Assessed Value	\$ 229,128,240	100.00%	225,984,280	100.00%

Tax rate per \$1,000 of assessed valuation	<u>\$34.35</u>	<u>\$34.35</u>
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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 County by June 30, 2010, are available to finance fiscal year 2010 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, tangible personal property, and public utility taxes that became measurable as of June 30, 2010. 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. For the governmental fund financial statements, 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 was recognized as revenue. On the Statement of Activities, the delinquent taxes that were levied in previous years are recognized as revenue.

The amount available as an advance at June 30, 2010, was \$1,571,010, \$408,271 and \$87,389 in the General Fund, Bond Retirement and Permanent Improvement funds, respectively. Other governmental funds had \$31,973 available as an advance.

**NOTE 6 – RECEIVABLES**

Receivables at June 30, 2010, consisted of current and delinquent property taxes and intergovernmental receivables. All receivables are considered fully due to the ability to foreclose for the nonpayment of taxes.

**GRAHAM LOCAL SCHOOL DISTRICT**  
**CHAMPAIGN COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

**NOTE 7 – CAPITAL ASSETS**

Capital asset activity for the Graham Local School District for the fiscal year ended June 30, 2010, is as follows:

	Balance 6/30/2009	Additions	Deductions	Balance, 6/30/2010
<b><u>Capital Assets, not being depreciated</u></b>				
Land	\$ 372,941	-	-	372,941
Construction in Progress	<u>3,837,259</u>	<u>10,844,308</u>	-	<u>14,681,567</u>
	<u>4,210,200</u>	<u>10,844,308</u>	-	<u>15,054,508</u>
<b><u>Capital Assets, being depreciated</u></b>				
Buildings	32,105,377	-	-	32,105,377
Improvements	1,315,729	-	-	1,315,729
Furniture and Equipment	2,556,149	-	-	2,556,149
Vehicles	<u>1,957,097</u>	<u>80,175</u>	-	<u>2,037,272</u>
	<u>37,934,352</u>	<u>80,175</u>	-	<u>38,014,527</u>
<b><u>Less: Accumulated Depreciation</u></b>				
Buildings	(5,126,775)	(765,904)	-	(5,892,679)
Improvements	(893,755)	(129,510)	-	(1,023,265)
Furniture and Equipment	(1,788,451)	(118,291)	-	(1,906,742)
Vehicles	<u>(1,508,052)</u>	<u>(107,341)</u>	-	<u>(1,615,393)</u>
	<u>(9,317,033)</u>	<u>(1,121,046) *</u>	-	<u>(10,438,079)</u>
<b>Capital Assets, being depreciated, net</b>	<u>28,617,319</u>	<u>(1,040,871)</u>	-	<u>27,576,448</u>
<b>Capital Assets, net</b>	<u>\$ 32,827,519</u>	<u>9,803,437</u>	-	<u>42,630,956</u>

**GRAHAM LOCAL SCHOOL DISTRICT**  
**CHAMPAIGN COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

**NOTE 7 – CAPITAL ASSETS (Continued)**

\* – Depreciation expense was charged to governmental functions as follows:

Regular	\$	934,495
Special		360
Support Services:		
Instructional Staff		30,240
Administration		9,140
Operation and Maintenance of Plant		6,723
Pupil Transportation		109,994
Operation of Non-Instructional Services		20,291
Extracurricular Activities		6,786
Building Acq & Const Services		3,017
	\$	<u>1,121,046</u>

Capital asset activity for the Graham Digital Academy and the A.B. Graham Academy for the fiscal year ended June 30, 2010, is as follows:

<b>Graham Digital Academy</b>	Balance, 6/30/2009	Additions	Reductions	Balance, 6/30/2010
<b><u>Capital Assets, being depreciated</u></b>				
Office Equipment and Computer	\$ 374,306	54,223	(30,033)	398,496
Less: Accumulated Depreciation	<u>(125,451)</u>	<u>(75,985)</u>	<u>6,802</u>	<u>(194,634)</u>
<b>Capital Assets, net</b>	<b>\$ <u>248,855</u></b>	<b><u>(21,762)</u></b>	<b><u>(23,231)</u></b>	<b><u>203,862</u></b>
<b>A.B. Graham Academy</b>	Balance, 6/30/2009	Additions	Reductions	Balance, 6/30/2010
<b><u>Capital Assets, being depreciated</u></b>				
Office Equipment and Computer	\$ -	31,472	-	31,472
Less: Accumulated Depreciation	<u>-</u>	<u>(3,881)</u>	<u>-</u>	<u>(3,881)</u>
<b>Capital Assets, net</b>	<b>\$ <u>-</u></b>	<b><u>27,591</u></b>	<b><u>-</u></b>	<b><u>27,591</u></b>

**GRAHAM LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**NOTE 8 – NOTES RECEIVABLE**

The Brecount Scholarship Expendable Trust Fund was established in 1977 through a probated will. Qualified students can 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, 2010, the balances of the outstanding loans were \$60,000.

**NOTE 9 – RISK MANAGEMENT**

***A. Property and Liability***

The School District is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010, the School District contracted with the Southwestern Ohio Educational Purchasing Council for property and fleet insurance, liability insurance, crime, terrorism and automobile coverage. Coverage provided through the Council is as follows:

Property, including building, contents, extra expense, business interruption, mobile equipment, valuable papers, fine art, accounts receivable, EDP, inland marine, and auto physical damage.	\$ 350,000,000
Crime and employee dishonesty (each and every loss)	500,000
Liability:	
General and employee benefits liability:	
Per occurrence	\$ 1,000,000
Aggregate annual total	3,000,000
Automobile, school board legal and employer and sexual abuse/molestation liability	1,000,000
Auto medical payments (per person)	5,000

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

***B. Workers' Compensation***

For fiscal year 2010, 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, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Forms and Publications.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 were \$372,156, \$315,068, and \$340,611, respectively; 69.56 percent has been contributed for fiscal year 2010 and 100 percent for 2009 and 2008.

**B. State Teachers Retirement System of Ohio**

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**GRAHAM LOCAL SCHOOL DISTRICT**  
**CHAMPAIGN COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)**

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2009, the portion used to fund pension obligations was also 13%. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008, were \$1,159,848, \$1,096,544, and \$1,051,329; 84.03 percent has been contributed for fiscal year 2010 and 100 percent for 2009 and 2008.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2010, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid

**NOTE 11 - 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 non-certified employees and their dependents through the School Employees Retirement System (SERS).

**A. School Employees Retirement System**

The School Employees Retirement System (SERS) administers two postemployment benefit plans, Medicare Part B and Health Care Plans. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Forms and Publications*.

State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contributions of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, 0.46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$35,800.

The amount of the School District's contributions to SERS allocated to the Health Care Plan for the years ended June 30, 2010, 2009, and 2008 were \$12,228, \$128,643, and \$115,060, respectively; 100% has been contributed for all years.

**GRAHAM LOCAL SCHOOL DISTRICT**  
**CHAMPAIGN COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)**

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$20,203, \$16,879, and \$16,544 respectively; 100% has been contributed for all years.

***B. State Teachers Retirement System***

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan and a combined plan which is a hybrid of the defined benefit and defined contribution plan. Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free 1-888-227-7877.

Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the years ended June 30, 2010, 2009 and 2008 were \$82,847, \$78,325, and \$77,186, respectively; 100% has been contributed for all years.

**NOTE 12 – OTHER EMPLOYEE BENEFITS**

***A. Compensated Absences***

The criteria for determining vacation and sick leave components are 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-six days for classified and 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, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

**NOTE 13 – LONG-TERM OBLIGATIONS**

Changes in long-term obligations of the School District during fiscal year 2010 were as follows:

	Amount Outstanding June 30, 2009	Increase	Decrease	Amount Outstanding June 30, 2010	Amount Due Within One Year
Long-Term Obligations:					
Asbestos Removal Loan, 0.00%	\$ 5,935	-	5,935	-	-
General Obligation Bonds:					
1998 School Facilities Issue					
Serial and Term Bonds, 3.75% - 5.00%	745,000	-	365,000	380,000	380,000
Capital Appreciation Bonds, 5.00%-5.05%	620,701	56,801	-	677,502	-
2006 School Improvement Bonds					
Serial and Term Bonds, 2.95%-4.46%	16,785,000	-	65,000	16,720,000	90,000
Capital Appreciation Bonds, 4.30%-4.37%	444,788	42,769	-	487,557	-
Deferred Amounts:					
Bond Premium	566,223	-	23,592	542,631	-
Deferred Amount on Refunding	(70,358)	-	(23,453)	(46,905)	-
Capital Lease Payable	762,000	-	130,000	632,000	136,000
Compensated Absences	<u>1,157,205</u>	<u>566,498</u>	<u>429,402</u>	<u>1,294,301</u>	<u>88,483</u>
Total Governmental Activities	\$ <u>21,016,494</u>	<u>666,068</u>	<u>995,476</u>	<u>20,687,086</u>	<u>694,483</u>

**General Obligation Bonds**

On May 1, 1998, the School District issued \$7,735,000 in voted general obligation bonds for construction, improvement, and renovation of school facilities. The bond issue included serial, term, and capital appreciation bonds in the amount of \$3,840,000, \$3,660,000, and \$235,000, respectively. The bonds were issued for a twenty-three year period, with final maturity during fiscal year 2021. The bonds are being retired from the Bond Retirement debt service fund. The capital appreciation bonds will mature in fiscal years 2012 and 2013. The maturity amount of the capital appreciation bonds is \$800,000. For fiscal year 2010, \$56,801 was accreted for a total bond value of \$677,502.

**GRAHAM LOCAL SCHOOL DISTRICT**  
**CHAMPAIGN COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

**NOTE 13 – LONG-TERM OBLIGATIONS (Continued)**

During fiscal year 2006, the School District issued \$17,235,000 of general obligation bonds to refinance \$13,575,000 in bond anticipation notes and to advance refund \$3,660,000 of the 1998 school facilities issue. These bonds include serial and term bonds and capital appreciation bonds. The capital appreciation bonds will mature in fiscal years 2014 and 2015. The maturity amount of the capital appreciation bonds is \$775,000. For fiscal year 2010, \$42,769 was accreted for a total bond value of \$487,557.

Principal and interest requirements to retire outstanding general obligation debt at June 30, 2010 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	470,000	781,104	1,251,104
2012	522,707	817,889	1,340,596
2013	524,795	839,019	1,363,814
2014	625,000	745,525	1,370,525
2015	641,580	843,226	1,484,806
2016-2020	4,645,977	3,354,756	8,000,733
2021-2025	3,395,000	2,213,463	5,608,463
2026-2030	3,730,000	1,408,244	5,138,244
2031-2034	3,710,000	382,250	4,092,250
	<u>\$ 18,265,059</u>	<u>11,385,476</u>	<u>29,650,535</u>

**Other Long-Term Obligations**

Compensated absences will be paid from the fund from which the employees' salaries are paid. The capital lease obligations are being paid from the General Fund and Permanent Improvement Fund.

The School District's overall debt margin was \$3,835,527 with an unvoted debt margin of \$229,128 at June 30, 2010.

**GRAHAM LOCAL SCHOOL DISTRICT**  
**CHAMPAIGN COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**NOTE 14 – CAPITAL LEASE – LESSEE DISCLOSURE**

The School District entered into a lease-purchase agreement for the purpose of financing the acquisition and installation of energy conservation measures consisting of software enhancements at the middle and high schools and an ice storage system at the middle school. This lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. As of June 30, 2010, all expenditures were made in conjunction with the lease agreement, and the items have been capitalized. Principal payments made on this lease in fiscal year 2010 totaled \$130,000.

The following is a schedule of future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2010.

Fiscal Year <u>Ended June 30,</u>	
2011	160,935
2012	159,877
2013	160,555
2014	34,777
2015	34,674
2016-2020	<u>174,098</u>
Total	724,916
Less: Amount Representing Interest	(90,315)
Amount Representing Participant Cost Component	<u>(2,601)</u>
Present Value of Net Minimum Lease Payments	\$ <u>632,000</u>

**GRAHAM LOCAL SCHOOL DISTRICT**  
**CHAMPAIGN COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS**

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

Western Ohio Computer Organization – The District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public Districts within the boundaries of Hardin, Auglaize, Shelby, Logan, Miami and Champaign 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 Districts. This organization is governed by a board of directors consisting of 14 members: the superintendent of the fiscal agent Shelby County Educational Service Center, two superintendents from each county that is represented, one treasurer representative from the school districts, student services representative from the school districts, and a non-voting independent district representative. The degree of control exercised by any participating school district is limited to its representation on the board. Financial information can be obtained from Donn Walls, who serves as director, at 129 East Court Street, Sidney, Ohio 45365.

Southwestern Ohio Educational Purchasing Council – The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing council made up of nearly 100 school districts in 12 counties. The purpose of the council is to obtain reduced prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, 303 Corporate Center Dr, Suite 208, Vandalia, Ohio 45377.

**GRAHAM LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS (Continued)**

Southwestern Ohio Instructional Technology Association – The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami,

Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members from within the State assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Straus, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

**NOTE 16 – 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. Financial information can be obtained from Steve Huzizko, Deputy Director of Management Services, at 8050 North High Street, Columbus, Ohio 43235.

The intent of the Program is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Program. 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 Program.

Each participant pays its workers' compensation premium to the State based on the rate for the Program 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 Program. 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 program. Participation in the Program is limited to school districts that can meet the Program's selection criteria. The firm of Gates, McDonald & Company provides administrative, cost control and actuarial services to the Program.

**GRAHAM LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

**NOTE 17 – 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.

**NOTE 18 - 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2010.

**B. Litigation**

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

**NOTE 19 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

The School District is required by State statute to annually set aside monies for the purchase of textbooks and other instructional materials, and for capital improvements. Amounts not spent by year-end or reduced by offsetting credits must be held in cash at year-end and carried forward to be used for the same purpose in future years. Excess of offsets and qualifying disbursements over the set-aside requirement during the year for textbooks and other instructional materials may carry forward to the next year to reduce the set-aside requirement of future years. Excess of offsets and qualifying disbursements in the capital acquisition set-aside requirement may be carried forward if the excess is a result of spending bond or note proceeds.

	Textbooks	Capital Acquisition
Set-aside Cash Balance, As of June 30, 2009	\$ (126,253)	(12,554,999)
Current Year Set-aside Requirement	356,325	356,325
Current Year Offsets	-	(326,943)
Qualifying Disbursements	(2,369,734)	-
Total	(2,139,662)	(12,525,617)
Balance Carried Forward to FY 2011	\$ (2,139,662)	(12,525,617)

**GRAHAM LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

**NOTE 20 – CONTRACT COMMITMENTS**

At June 30, 2010, the District had approximately \$0.9 million in contractual commitments. The following is a listing of the significant individual commitments:

Contractor	Amount
AR Environmental	\$ 13,201
Buehrer Group	66,443
Precision Piping Inc	9,396
S A Comunale	13,153
Saturn Electric	38,301
Staffco Construction Inc	489,532
Stan & Associates Inc	30,135
The Quandel Group	179,866
	\$ 840,027

**NOTE 21 – INTERFUND ASSETS/LIABILITIES AND TRANSFERS**

Interfund transactions at June 30, 2010, consisted of transfers in and transfers out:

	Transfers <u>In</u>	Transfers <u>Out</u>
General Fund	\$ -	55,365
Other Governmental Funds	55,365	-
	\$ 55,365	55,365

During fiscal year 2010, the School District transferred \$55,365 from the General Fund to the Classroom Facilities Maintenance Fund to meet the requirements of the Ohio School Facilities Commission (OSFC) for the 0.5 mill tax levy for facilities maintenance. The OSFC and the Auditor of State approved an alternative funding arrangement for the potential “shortfall” when the current 0.5 mill tax levy expires in 2019 (last collected in FY2020). The School District must make annual deposits through 2020 in the event that the 0.5 tax levy for building maintenance is not renewed by voters in 2019 since the useful life of the new building extends through 2031, or 23 years from the project agreement date of 2008.

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**GRAHAM LOCAL SCHOOL DISTRICT**  
**CHAMPAIGN COUNTY, OHIO**  
Schedule of Revenues, Expenditures and Changes  
In Fund Balance - Budget and Actual (Budget Basis)  
General Fund  
For the Fiscal Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b><u>Revenues:</u></b>				
Taxes	\$ 4,592,000	4,592,000	4,145,637	(446,363)
Intergovernmental	11,690,958	11,690,958	11,370,584	(320,374)
Interest	13,908	13,908	13,527	(381)
Tuition and Fees	998,181	998,181	970,827	(27,354)
Rentals	3,146	3,146	3,060	(86)
Fines	1,845	1,845	1,794	(51)
Miscellaneous	75,407	75,407	73,341	(2,066)
<b>Total Revenues</b>	<b>17,375,445</b>	<b>17,375,445</b>	<b>16,578,770</b>	<b>(796,675)</b>
<b><u>Expenditures:</u></b>				
Current:				
Instruction:				
Regular	7,277,627	7,415,012	6,896,282	518,730
Special	1,484,193	1,549,666	1,726,733	(177,067)
Vocational	-	-	436	(436)
Adult/Continuing	-	-	-	-
Other	1,374,483	1,450,483	1,583,850	(133,367)
Support Services:				
Pupils	907,801	920,550	782,158	138,392
Instructional Staff	1,135,615	1,352,223	902,824	449,399
Board of Education	138,474	138,218	96,901	41,317
Administration	1,449,847	1,486,012	1,418,967	67,045
Fiscal	428,218	444,986	409,748	35,238
Business	57,034	59,647	39,981	19,666
Operation and Maintenance of Plant	1,414,804	1,400,503	1,472,427	(71,924)
Pupil Transportation	1,589,668	1,365,005	1,449,059	(84,054)
Central	292,857	217,919	242,818	(24,899)
Extracurricular Activities				
Academic Oriented Activities	23,446	23,466	22,505	961
Sports Oriented	304,274	312,547	313,100	(553)
Co-Curricular Activities	18,063	18,077	11,779	6,298
Debt Service:				
Principal	21,000	21,000	22,000	(1,000)
Interest	13,299	13,299	12,431	868
Dues/Fees	354	354	331	23
<b>Total Expenditures</b>	<b>17,931,057</b>	<b>18,188,967</b>	<b>17,404,330</b>	<b>784,637</b>
Excess of Revenues Over (Under) Expenditures	(555,612)	(813,522)	(825,560)	(12,038)
<b><u>Other Financing Sources (Uses):</u></b>				
Refund of Prior Year Expenditures	-	-	36,326	36,326
Proceeds from Sale of Fixed Assets	-	-	600	600
Refund of Prior Year Receipts	(4,157)	(4,157)	(68,509)	(64,352)
Operating Transfers Out	(75,000)	(75,000)	(55,365)	19,635
<b>Total Other Financing Sources (Uses)</b>	<b>(79,157)</b>	<b>(79,157)</b>	<b>(86,948)</b>	<b>(7,791)</b>
Net Change in Fund Balance	(634,769)	(892,679)	(912,508)	(19,829)
Fund Balance, Beginning of Year	835,578	835,578	835,578	-
Prior Year Encumbrances Appropriated	139,302	139,302	139,302	-
Fund Balance, End of Year	\$ 340,111	82,201	62,372	(19,829)

See accompanying notes to the required supplementary information.

**GRAHAM LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY, OHIO**

Notes to the Required Supplementary Information  
For the Fiscal Year Ended June 30, 2010

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Basis of Budgeting

Basis of budgeting refers to when revenues and expenditures or expenses are recognized in the accounts. The Graham Local School District's (the School District) budget for all legislated funds are prepared on a cash-encumbrance basis wherein transactions are recorded when cash is received or disbursed, or when a commitment has been recorded as an encumbrance against an applicable appropriation. Fund balances shown are unencumbered cash balances. This basis is utilized for all interim financial statements issued during the year.

The basis of budgeting differs from generally accepted accounting principles (GAAP) used for the School District's year-end basic financial statements. Under that basis of accounting, revenues are generally recognized when the obligation to the School District arises; the budget basis however, recognizes revenue only when cash has been received. In the basic financial statements, expenditures are generally recognized in the period in which they are incurred. Under the budget basis, expenditures are recognized when cash has been disbursed or when an encumbrance has been placed against an appropriation.

General Budget Policies

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

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

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

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.

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 2010.

**GRAHAM LOCAL SCHOOL DISTRICT**  
**CHAMPAIGN COUNTY, OHIO**

Notes to the Required Supplementary Information  
For the Fiscal Year Ended June 30, 2010

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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/object for the General Fund and the fund level for all other funds, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total fund appropriation, or alter total appropriation at the legal level of control 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.

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.

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.

While the School District is reporting financial position, results of operations, and changes in fund balances 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 Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) – General Fund is 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 as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the fund liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

**GRAHAM LOCAL SCHOOL DISTRICT**  
**CHAMPAIGN COUNTY, OHIO**  
Notes to the Required Supplementary Information  
For the Fiscal Year Ended June 30, 2010

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The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

	<u>General Fund</u>
GAAP Basis	\$ (381,757)
Revenue Accruals	(157,202)
Expenditure Accruals	(130,300)
Encumbrances	<u>(243,249)</u>
Budget (Non-GAAP) Basis	\$ <u>(912,508)</u>

**GRAHAM LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<b>FEDERAL GRANTOR Pass Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>					
<i>Passed Through Ohio Department of Education:</i>					
<b>Child Nutrition Cluster:</b>					
School Breakfast Program	10.553	\$33,118		\$33,118	
National School Lunch Program	10.555	273,269		273,269	
Non-Cash Assistance (Food Distribution): National School Lunch Program	10.555		\$47,762		\$47,762
Total National School Lunch Program		<u>273,269</u>	<u>47,762</u>	<u>273,269</u>	<u>47,762</u>
Total Child Nutrition Cluster		<u>306,387</u>	<u>47,762</u>	<u>306,387</u>	<u>47,762</u>
Total U. S. Department of Agriculture		<u>306,387</u>	<u>47,762</u>	<u>306,387</u>	<u>47,762</u>
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>					
<i>Passed Through Ohio Department of Education:</i>					
Safe and Drug-Free Schools and Communities State Grants	84.186	2,059		1,522	
<b>Special Education Cluster</b>					
Special Education Grants to States	84.027	426,235		432,402	
ARRA Special Education Grants to States - Recovery Act	84.391	246,661		265,800	
Total Special Education Grants to States		<u>672,896</u>		<u>698,202</u>	
Special Education Preschool Grants to States	84.173	14,497		12,992	
ARRA Special Education Preschool Grants - Recovery Act	84.392	14,435		13,720	
Total Special Education Preschool Grants		<u>28,932</u>		<u>26,712</u>	
Total Special Education Cluster		<u>701,828</u>		<u>724,914</u>	
<b>Title I Cluster</b>					
Title 1 Grants to Local Educational Agencies	84.010	259,165		248,992	
ARRA Title 1 Grants to Local Educational Agencies - Recovery Act	84.389	112,433		120,472	
Total Title 1 Cluster		<u>371,598</u>		<u>369,464</u>	
Education Technology State Grants	84.318	601		570	
Improving Teacher Quality State Grants	84.367	77,908		79,619	
ARRA State Fiscal Stabilization Fund (SFSF) Education State Grants	84.394	701,486		701,486	
Total U. S. Department of Education		<u>1,855,480</u>		<u>1,877,575</u>	
Total Federal Financial Assistance		<u>\$2,161,867</u>	<u>\$47,762</u>	<u>\$2,183,962</u>	<u>\$47,762</u>

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

**GRAHAM LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Graham Local School District's (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at market value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

**NOTE D - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2009 to 2010 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred From 2009 to 2010</u>
Title I Grants to Local Educational Agencies	84.010	\$7,528
Special Education – Grants to States	84.027	371
Improving Teacher Quality State Grants	84.367	1,712
Educational Technology State Grants	84.318	16



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Graham Local School District, Champaign County, (the School District) as of and for the fiscal year ended June 30, 2010, which collectively comprise the Government's basic financial statements and have issued our report thereon dated February 3, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated February 3, 2011.

We intend this report solely for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and others within the School District. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

February 3, 2011



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

### Compliance

We have audited the compliance of Graham Local School District (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Graham Local School District's major federal programs for the fiscal year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

The School District's basic financial statements include the operations of Graham Digital Academy and A.B. Graham Academy, which received \$38,820 and \$63,573, respectively in federal awards which is not included in the School District's Schedule of Federal Awards Receipts and Expenditure for the fiscal year ended June 30, 2010. Our audit of Federal awards, described below, did not include the operations of Graham Digital Academy and A.B. Graham Academy because the component units are legally separate from the primary government which this report addresses, and because they expended less than \$500,000 of Federal awards for the fiscal year ended June 30, 2010, they were not subject to OMB Circular A-133 audit requirements.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; 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 reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2010.

### **Internal Control Over Compliance**

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of management, the Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

February 3, 2011

**GRAHAM LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education Cluster, CFDA #84.027, #84.391 Recovery Act, #84.173, and #84.392 Recovery Act Title 1 Cluster, CFDA #84.010 and #84.389 Recovery Act State Fiscal Stabilization Fund - Education State Grants, Recovery Act, CFDA #84.394
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

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# Dave Yost • Auditor of State

**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  
MARCH 29, 2011**