



**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2008



Mary Taylor, CPA
Auditor of State

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Gorham Fayette Local School District
Fulton County
400 East Gamble Road
Fayette, Ohio 43521-9462

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gorham Fayette Local School District, Fulton County, Ohio (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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, each major fund, and the aggregate remaining fund information of Gorham Fayette Local School District, Fulton County, Ohio, as of June 30, 2008, and the respective changes in financial position, thereof and the budgetary comparison for the General fund for the 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 12, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

One Government Center / Room 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

February 12, 2009

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

The discussion and analysis of Gorham Fayette Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. 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 basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Highlights for fiscal year 2008 are as follows:

- In total, net assets decreased \$260,853 (1 percent) from the prior fiscal year, which is not a significant change.
- General revenues accounted for 83 percent of total revenues and reflect the School District's significant dependence on property taxes and unrestricted state entitlements.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand Gorham Fayette Local School District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances.

Fund financial statements provide a greater 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 nonmajor funds presented in total in a single column. For Gorham Fayette Local School District, the General Fund, and the Building and Ohio School Facilities Commission capital projects funds are the most significant funds.

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2008. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These 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 whether the financial position of the School District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Nonfinancial 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.

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

In the statement of net assets and the statement of activities, all of the School District's activities are presented as governmental activities. All of the School District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major funds are the General Fund, and the Building and Ohio School Facilities Commission capital projects funds.

Governmental Funds - All of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial 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 determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

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

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2008 and fiscal year 2007.

Table 1 Net Assets		Governmental Activities		
	2008	2007	Change	
<u>Assets:</u>				
Current and Other Assets	\$8,198,304	\$22,274,474	(\$14,076,170)	
Capital Assets, Net	17,775,446	5,410,876	12,364,570	
Total Assets	25,973,750	27,685,350	(1,711,600)	
<u>Liabilities:</u>				
Current and Other Liabilities	2,486,997	2,412,637	(74,360)	
Long-Term Liabilities	5,405,699	6,930,806	1,525,107	
Total Liabilities	7,892,696	9,343,443	1,450,747	
(continued)				

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Table 1
Net Assets

	Governmental Activities		
	2008	2007	Change
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	\$12,646,405	\$254,985	12,391,420
Restricted	3,793,023	15,477,216	(11,684,193)
Unrestricted	1,641,626	2,609,706	(968,080)
Total Net Assets	<u>\$18,081,054</u>	<u>\$18,341,907</u>	<u>(\$260,853)</u>

While the change in overall net assets from the prior fiscal year was not significant, just 1 percent, a review of the above table demonstrates a number of significant changes. During fiscal year 2008, the School District completed construction of our new school building. As a result, cash resources (generally from grant proceeds received from the Ohio School Facilities Commission) were spent on construction. This decrease in cash resources is also reflected in the corresponding increase in net capital assets. In addition, the spent cash resources, which had been restricted, account for the decrease in restricted net assets and the increase in invested in capital assets. One other significant event in fiscal year 2008 dealt with the defeasance of some of the School District's debt. In fiscal year 2007, the School District received proceeds from an environmental litigation settlement. These proceeds were used to defease \$1,120,000 in outstanding general obligation bonds. This is reflected in the decrease in long-term liabilities.

Table 2 reflects the changes in net assets for fiscal year 2008 and fiscal year 2007.

Table 2
Change in Net Assets

	Governmental Activities 2008	Governmental Activities 2007	Change
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$279,868	\$281,430	(\$1,562)
Operating Grants, Contributions, and Interest	664,131	736,857	(72,726)
Capital Grants and Contributions	64,663	220,414	(155,751)
Total Program Revenues	<u>1,008,662</u>	<u>1,238,701</u>	<u>(230,039)</u>

(Continued)

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Table 2
Change in Net Assets
(Continued)

	Governmental Activities 2008	Governmental Activities 2007	Change
<u>Revenues</u> (continued)			
General Revenues			
Property Taxes Levied for General Purposes	\$1,012,855	\$1,100,179	(\$87,324)
Property Taxes Levied for Debt Service	290,810	380,310	(89,500)
Property Taxes Levied for Maintenance	16,604	17,200	(596)
Income Taxes Levied for General Purposes	442,977	416,326	26,651
Payment in Lieu of Taxes		757,869	(757,869)
Grants and Entitlements	2,497,448	2,318,858	178,590
Interest	481,281	464,599	16,682
Gifts and Donations	677	491	186
Miscellaneous	111,337	60,559	50,778
Total General Revenues	<u>4,853,989</u>	<u>5,516,391</u>	<u>(662,402)</u>
Total Revenues	<u>5,862,651</u>	<u>6,755,092</u>	<u>(892,441)</u>
<u>Expenses</u>			
Instruction:			
Regular	2,442,475	2,352,111	(90,364)
Special	673,516	558,723	(114,793)
Vocational	88,659	68,626	(20,033)
Support Services:			
Pupils	357,816	287,651	(70,165)
Instructional Staff	241,706	222,498	(19,208)
Board of Education	37,227	1,107,899	1,070,672
Administration	450,819	494,254	43,435
Fiscal	173,342	176,226	2,884
Operation and Maintenance of Plant	421,836	585,422	163,586
Pupil Transportation	233,806	213,692	(20,114)
Central	41,394	43,804	2,410
Non-Instructional Services	168,007	188,017	20,010
Extracurricular Activities	228,565	168,730	(59,835)
Interest and Fiscal Charges	564,336	264,432	(299,904)
Total Expenses	<u>6,123,504</u>	<u>6,732,085</u>	<u>608,581</u>
Change before Special Item	(260,853)	23,007	(283,860)
Special Item: Proceeds from Lawsuit		3,900,000	(3,900,000)
Increase (Decrease) in Net Assets	(260,853)	3,923,007	(4,183,860)
Net Assets at Beginning of Year	18,341,907	14,418,900	3,923,007
Net Assets at End of Year	<u>\$18,081,054</u>	<u>\$18,341,907</u>	<u>(\$260,853)</u>

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

With the exception of payment in lieu of taxes revenue, revenues remained fairly comparable to the prior fiscal year. The School District receives revenues which it would have otherwise received had tax abatement agreements not been entered into by the Village of Fayette and the developer/business. This revenue is being recognized in full in the initial year of the agreement.

Program revenues represented 17 percent of total revenues and primarily consist of restricted intergovernmental revenues, charges for tuition and fees and extracurricular activities, and food service sales.

Program expenses decreased 9 percent from the prior fiscal year, note this is primarily due to the decrease in the Board of Education program expenses. This decrease is due to legal fees incurred in the prior fiscal year associated with litigation. The major program expense for governmental activities continues to be for instruction, which accounts for 52 percent of all governmental expenses. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for 14 percent of governmental expenses. Maintenance of the School District's facilities also represents a significant expense, at 7 percent. Therefore, 73 percent of the School District's expenses are related directly to providing facilities and delivering education.

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
Instruction:				
Regular	\$2,442,475	\$2,352,111	\$2,066,699	\$1,718,220
Special	673,516	558,723	289,407	244,225
Vocational	88,659	68,626	77,342	50,101
Support Services:				
Pupils	357,816	287,651	357,816	287,009
Instructional Staff	241,706	222,498	241,706	185,106
Board of Education	37,227	1,107,899	37,227	1,107,899
Administration	450,819	494,254	450,819	494,254
Fiscal	173,342	176,226	173,342	176,226
Operation and Maintenance of Plant	421,836	585,422	408,686	585,422
Pupil Transportation	233,806	213,692	212,293	202,328
Central	41,394	43,804	27,394	38,804
Non-Instructional Services	168,007	188,017	19,795	17,695
Extracurricular Activities	228,565	168,730	187,980	121,663
Interest and Fiscal Charges	564,336	264,432	564,336	264,432
Total Expenses	\$6,123,504	\$6,732,085	\$5,114,842	\$5,493,384

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

The above table demonstrates that both the total cost and net cost of services remained fairly comparable to the prior fiscal year and that the School District's dependence on tax revenues and unrestricted State entitlements is considerable with 84 percent of program costs paid from these revenue sources. Almost 76 percent of instruction activities are supported through taxes and other general revenues. Several programs, however, receive substantial support through program revenues. Approximately 57 percent of special instruction costs are provided for through programs revenues. This is the result of various grants restricted for special instruction purposes. Over 88 percent of the non-instructional services costs were covered by program revenues. This is primarily due to cafeteria sales, state and federal subsidies, and donated commodities for food service operations. Approximately 18 percent of extracurricular activities expenses are covered by program revenues. These program revenues are the result of music and athletic fees, ticket sales, and gate receipts at musical and athletic events.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. For the General Fund, fund balance decreased over 55 percent from the prior fiscal year. This was due to resources the School District used to defease some of the outstanding general obligation bonds. Decreases in fund balance occurred in both the Building and Ohio School Facilities Commission capital projects funds due to completing construction on the new school building.

General Fund Budgeting Highlights

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

During fiscal year 2008, the School District amended its General Fund budget as needed. For revenues, the final budget amount increased 10 percent from the original budget, primarily due to conservative estimates on the amounts to be received from State resources. Changes from the final budget to actual revenues were not significant.

For expenditures, changes from the original budget to final budget and from the final budget to actual expenditures were not significant.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the School District had \$17,775,446 invested in capital assets (net of accumulated depreciation). There was a significant increase from the prior fiscal year due to construction of the new school building. For further information regarding the School District's capital assets, refer to Note 11 to the basic financial statements.

Debt

The School District's outstanding debt at fiscal year end consisted of general obligation bonds, in the amount of \$5,253,936. The School District's long-term obligations also include compensated absences. For further information regarding the School District's long-term obligations, refer to Note 17 to the basic financial statements.

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Current Issues

During fiscal year 2008, the School District completed construction of the new school building. This facility was constructed through a combination of grant resources provided through the Ohio School Facilities Commission and bond proceeds. Students started the school year in the new facility.

During fiscal year 2007, the environmental litigation reached resolution and the School District received a settlement of \$3.9 million. The Board of Education decided to use some of these monies to reduce the School District's debt burden. As a result, the School District defeased \$1.1 million in general obligation bonds during fiscal year 2008.

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 reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Angel Adamski, Treasurer, Gorham Fayette Local School District, 400 East Gamble Road, P.O. Box 309, Fayette, Ohio 43521-0309.

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Net Assets
June 30, 2008**

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$5,203,091
Cash and Cash Equivalent with Escrow Agent	164,057
Accounts Receivable	8,049
Accrued Interest Receivable	37,597
Intergovernmental Receivable	805,527
Prepaid Items	2,672
Inventory Held for Resale	1,245
Materials and Supplies Inventory	672
Income Taxes Receivable	193,716
Property Taxes Receivable	1,399,280
Payment in Lieu of Taxes Receivable	286,440
Unamortized Issuance Costs	95,958
Nondepreciable Capital Assets	367,008
Depreciable Capital Assets, Net	17,408,438
Total Assets	25,973,750
 <u>Liabilities:</u>	
Accounts Payable	27,450
Contracts Payable	571,211
Accrued Wages and Benefits Payable	321,539
Intergovernmental Payable	116,071
Retainage Payable	168,489
Deferred Revenue	1,265,538
Accrued Interest Payable	16,699
Long-Term Liabilities:	
Due Within One Year	112,310
Due in More Than One Year	5,293,389
Total Liabilities	7,892,696
 <u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	12,646,405
Restricted For:	
Debt Service	164,852
Capital Projects	3,475,812
Other Purposes	152,359
Unrestricted	1,641,626
Total Net Assets	\$18,081,054

See Accompanying Notes to the Basic Financial Statements

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Activities
For the Fiscal Year Ended June 30, 2008**

	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$2,442,475	\$143,863	\$201,913	\$30,000	(\$2,066,699)
Special	673,516	8,424	375,685		(289,407)
Vocational	88,659		11,317		(77,342)
Support Services:					
Pupils	357,816				(357,816)
Instructional Staff	241,706				(241,706)
Board of Education	37,227				(37,227)
Administration	450,819				(450,819)
Fiscal	173,342				(173,342)
Operation and Maintenance of Plant	421,836			13,150	(408,686)
Pupil Transportation	233,806			21,513	(212,293)
Central	41,394		14,000		(27,394)
Non-Instructional Services	168,007	88,052	60,160		(19,795)
Extracurricular Activities	228,565	39,529	1,056		(187,980)
Interest and Fiscal Charges	564,336				(564,336)
Total Governmental Activities	<u>\$6,123,504</u>	<u>\$279,868</u>	<u>\$664,131</u>	<u>\$64,663</u>	<u>(5,114,842)</u>

General Revenues:

Property Taxes Levied for General Purposes	1,012,855
Property Taxes Levied for Debt Service	290,810
Property Taxes Levied for Maintenance	16,604
Income Taxes Levied for General Purposes	442,977
Grants and Entitlements not Restricted to Specific Programs	2,497,448
Interest	481,281
Gifts and Donations	677
Miscellaneous	111,337
Total General Revenues	<u>4,853,989</u>

Change in Net Assets (260,853)

Net Assets at Beginning of Year - Restated (Note 3) 18,341,907

Net Assets at End of Year \$18,081,054

See Accompanying Notes to the Basic Financial Statements

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2008**

	General	Building	Ohio School Facilities Commission	Other Governmental	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$1,645,332	\$800,156	\$2,445,938	\$303,093	\$5,194,519
Accounts Receivable	7,968			81	8,049
Accrued Interest Receivable	1,184	2,913	33,500		37,597
Interfund Receivable	23,995				23,995
Intergovernmental Receivable	656		764,300	40,571	805,527
Prepaid Items	2,672				2,672
Inventory Held for Resale				1,245	1,245
Materials and Supplies Inventory				672	672
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	8,572				8,572
Cash and Cash Equivalents with Escrow Agent		13,125	150,932		164,057
Income Taxes Receivable	193,716				193,716
Property Taxes Receivable	1,089,397			309,883	1,399,280
Payments in Lieu of Taxes Receivable	286,440				286,440
Total Assets	\$3,259,932	\$816,194	\$3,394,670	\$655,545	\$8,126,341
Liabilities and Fund Balances:					
Liabilities					
Accounts Payable	\$12,434	\$439	\$5,387	\$9,190	\$27,450
Contracts Payable	11,175	197,423	362,613		571,211
Accrued Wages and Benefits Payable	301,813			19,726	321,539
Interfund Payable				23,995	23,995
Intergovernmental Payable	106,231	55	646	9,139	116,071
Retainage Payable		355	4,077		4,432
Liabilities Payable from Restricted Assets:					
Retainage Payable		13,125	150,932		164,057
Deferred Revenue	1,228,734	1,516	781,729	313,217	2,325,196
Total Liabilities	1,660,387	212,913	1,305,384	375,267	3,553,951
Fund Balances:					
Reserved for Property Taxes	64,950			16,772	81,722
Reserved for Bus Purchase	8,572				8,572
Reserved for Encumbrances	103,177	210,224	927,759	26,470	1,267,630
Unreserved, Reported in:					
General Fund	1,422,846				1,422,846
Special Revenue Funds				94,448	94,448
Debt Service Fund				156,463	156,463
Capital Projects Funds (Deficit)		393,057	1,161,527	(13,875)	1,540,709
Total Fund Balances	1,599,545	603,281	2,089,286	280,278	4,572,390
Total Liabilities and Fund Balances	\$3,259,932	\$816,194	\$3,394,670	\$655,545	\$8,126,341

See Accompanying Notes to the Basic Financial Statements

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2008**

Total Governmental Fund Balances	\$4,572,390
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Amounts reported for governmental activities on the statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	17,775,446
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:

Accounts Receivable	\$7,968	
Accrued Interest Receivable	18,945	
Intergovernmental Receivable	784,520	
Income Taxes Receivable	29,928	
Property Taxes Receivable	51,193	
Payment in Lieu of Taxes Receivable	167,104	
		1,059,658

Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.	95,958
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Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Accrued Interest Payable	(16,699)	
General Obligation Bonds Payable	(5,253,936)	
Compensated Absences Payable	(151,763)	
		(5,422,398)

Net Assets of Governmental Activities	\$18,081,054
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See Accompanying Notes to the Basic Financial Statements

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008**

	General	Building	Ohio School Facilities Commission	Other Governmental	Total Governmental Funds
Revenues:					
Property Taxes	\$1,030,059			\$305,807	\$1,335,866
Income Taxes	440,471				440,471
Payment in Lieu of Taxes	331,382				331,382
Intergovernmental	2,624,981		3,128,718	518,500	6,272,199
Interest	134,996	87,140	240,200	66	462,402
Tuition and Fees	144,206				144,206
Extracurricular Activities				40,410	40,410
Charges for Services				88,052	88,052
Gifts and Donations				13,827	13,827
Miscellaneous	86,693			26,046	112,739
Total Revenues	4,792,788	87,140	3,368,918	992,708	9,241,554
Expenditures:					
Current:					
Instruction:					
Regular	2,207,929			155,042	2,362,971
Special	516,432			146,464	662,896
Vocational	96,033				96,033
Support Services:					
Pupils	309,730			47,465	357,195
Instructional Staff	201,745			35,503	237,248
Board of Education	37,227				37,227
Administration	464,769			13,287	478,056
Fiscal	160,390			13,951	174,341
Operation and Maintenance of Plant	403,833			7,741	411,574
Pupil Transportation	361,356			9,311	370,667
Central	22,907			18,487	41,394
Non-Instructional Services	2,300			157,496	159,796
Extracurricular Activities	128,963			49,008	177,971
Capital Outlay	12,941	1,223,516	11,101,634	28,635	12,366,726
Debt Service:					
Principal Retirement				200,000	200,000
Interest and Fiscal Charges				248,856	248,856
Total Expenditures	4,926,555	1,223,516	11,101,634	1,131,246	18,382,951
Excess of Revenues Under Expenditures	(133,767)	(1,136,376)	(7,732,716)	(138,538)	(9,141,397)
Other Financing Sources (Uses)					
Payment to Refunded Bond Escrow Agent	(1,430,802)				(1,430,802)
Transfers In		400,000		6,753	406,753
Transfers Out	(406,753)				(406,753)
Total Other Financing Sources (Uses)	(1,837,555)	400,000		6,753	(1,430,802)
Changes in Fund Balances	(1,971,322)	(736,376)	(7,732,716)	(131,785)	(10,572,199)
Fund Balances at Beginning of Year - Restated (Note 3)	3,570,867	1,339,657	9,822,002	412,063	15,144,589
Fund Balances at End of Year	\$1,599,545	\$603,281	\$2,089,286	\$280,278	\$4,572,390

See Accompanying Notes to the Basic Financial Statements

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement of Activities
For the Fiscal Year Ended June 30, 2008**

Changes in Fund Balances - Total Governmental Funds (\$10,572,199)

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current fiscal year:

Capital Outlays	\$12,701,069	
Capital Contributions	49,161	
Depreciation	<u>(385,660)</u>	12,364,570

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Property Taxes	(15,597)	
Income Taxes	2,506	
Payment in Lieu of Taxes	(331,382)	
Intergovernmental	(3,110,504)	
Interest	18,945	
Tuition and Fees	<u>7,968</u>	(3,428,064)

Repayment of principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities on the statement of net assets.

Payment to Refunded Bond Escrow Agent	1,430,802	
General Obligation Bonds	<u>200,000</u>	1,630,802

Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net assets. Premiums are reported as revenues when the debt is first issued; however, these amounts are deferred and amortized on the statement of net assets.

Accrued Interest Payable	(16,699)	
Annual Accretion on Capital Appreciation Bonds	(42,119)	
Amortization of Premium	21,139	
Interest Paid on Defeased Bonds	<u>(275,590)</u>	(313,269)

Issuance costs are reported as an expenditure when paid in the governmental funds but are amortized over the life of the debt on the statement of activities. (2,211)

Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 59,518

Change in Net Assets of Governmental Activities (\$260,853)

See Accompanying Notes to the Basic Financial Statements

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		(Under)
Revenues:				
Property Taxes	\$1,000,000	\$1,052,228	\$1,022,729	(\$29,499)
Income Taxes	391,000	427,499	430,548	3,049
Payment in Lieu of Taxes	230,000	230,000	212,046	(17,954)
Intergovernmental	2,432,400	2,659,426	2,624,981	(34,445)
Interest	60,000	133,000	134,888	1,888
Tuition and Fees	124,000	150,628	144,206	(6,422)
Charges for Services		50		(50)
Gifts and Donations	300	300		(300)
Miscellaneous	46,050	80,361	80,408	47
Total Revenues	4,283,750	4,733,492	4,649,806	(83,686)
Expenditures:				
Current:				
Instruction:				
Regular	2,346,340	2,404,666	2,303,881	100,785
Special	574,671	579,171	530,425	48,746
Vocational	90,963	98,227	96,239	1,988
Support Services:				
Pupils	365,668	363,314	309,824	53,490
Instructional Staff	261,487	243,100	213,318	29,782
Board of Education	97,083	100,083	44,353	55,730
Administration	494,206	497,841	477,332	20,509
Fiscal	178,138	204,793	174,142	30,651
Operation and Maintenance of Plant	422,254	424,353	418,560	5,793
Pupil Transportation	376,998	377,499	370,942	6,557
Central	39,850	39,850	23,607	16,243
Non-Instructional Services	2,300	2,300	2,300	
Extracurricular Activities	134,601	133,201	129,786	3,415
Capital Outlay	50,000	50,000	15,799	34,201
Total Expenditures	5,434,559	5,518,398	5,110,508	407,890
Excess of Revenues Under Expenditures	(1,150,809)	(784,906)	(460,702)	324,204
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures		13,268	13,268	
Payment to Refunded Bond Escrow Agent		(1,430,875)	(1,430,802)	73
Advances In		42,397	42,397	
Advance Out		(23,390)	(23,390)	
Transfers Out	(550,000)	(407,446)	(406,753)	693
Total Other Financing Sources (Uses)	(550,000)	(1,806,046)	(1,805,280)	766
Changes in Fund Balance	(1,700,809)	(2,590,952)	(2,265,982)	324,970
Fund Balance at Beginning of Year	3,726,394	3,726,394	3,726,394	
Prior Year Encumbrances Appropriated	68,221	68,221	68,221	
Fund Balance at End of Year	\$2,093,806	\$1,203,663	\$1,528,633	\$324,970

See Accompanying Notes to the Basic Financial Statements

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008**

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$16,251	<u><u>\$25,388</u></u>
<u>Liabilities:</u>		
Due to Students		<u><u>\$25,388</u></u>
<u>Net Assets:</u>		
Held in Trust for Scholarships	<u><u>\$16,251</u></u>	

See Accompanying Notes to the Basic Financial Statements

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Change in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2008**

Additions:

Interest	\$688
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Deductions:

Non-Instructional Services	<u>412</u>
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Change in Net Assets	276
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Net Assets at Beginning of Year	<u>15,975</u>
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Net Assets at End of Year	<u><u>\$16,251</u></u>
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See Accompanying Notes to the Basic Financial Statements

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Gorham Fayette Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state and federal guidelines.

The School District is the 603rd largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by fifteen classified employees, forty-one certified teaching personnel, and seven administrative employees who provide services to 496 students and other community members.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure 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 Gorham Fayette Local School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the Gorham Fayette Local School District.

The School District participates in four jointly governed organizations, three insurance pools, and is associated with a related organization. These organizations are the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Northwestern Ohio Educational Research Council, Inc., the Ohio School Plan, the Northern Buckeye Education Council's Employee Insurance Benefits Program, the Northern Buckeye Education Council Workers' Compensation Group Rating Plan, and the Normal Memorial Library. These organizations are presented in Notes 20, 21, and 22 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Gorham Fayette 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 governmental activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

A. Basis of Presentation

The School District's basic financial statements consist of government-wide financial 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. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The 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, contributions, and interest that are restricted to meeting the operational or capital requirements of a particular program. Revenues which 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 fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

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

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses 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's three major funds are the General Fund, and the Building and Ohio School Facilities Commission capital projects funds.

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

Building Fund - The Building Fund accounts for local resources used for the construction of the new school.

Ohio School Facilities Commission Fund - The Ohio School Facilities Commission Fund accounts for grant resources for the construction of the new school.

The other governmental funds of the School District account for grants and other resources whose use is 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 not available to support the School District's own programs. The School District's private purpose trust fund accounts for college scholarships for students after graduation. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for various student-managed activities.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of 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. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

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 are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects 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 fund financial statements for governmental funds.

The private purpose trust fund is accounted for using a flow of 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; fiduciary funds use the 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.

Revenues - Exchange and Nonexchange Transactions

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 the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the fiscal year in which the income is earned. 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 fiscal 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 the 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 both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, interest, tuition, student fees, and charges for services.

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there was an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

On the accrual basis, 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. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are an alternative tax budget (consists of a five-year forecast and debt schedules), the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The alternative tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control selected by the Board is at the object level for the General Fund and the fund level in all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the function level in the General Fund and at the function and object level within all other funds are made by the School District Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

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

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

F. Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 2008, investments included repurchase agreements, federal agency securities, and STAR Ohio. Repurchase agreements are reported at cost. Federal agency securities are reported at fair value, which is based on quoted market price. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2008.

The Board of Education allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year 2008 was \$134,996, which includes \$16,694 assigned from other School District funds.

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

Inventory is presented at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of administrative supplies and donated and purchased food.

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent unexpended revenues restricted for the purchase of school buses. Resources set aside in separate escrow accounts whose use is limited to the payment of retainage to contractors are also reported as restricted.

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

J. Unamortized Issuance Costs

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Issuance costs are recorded as deferred charges and are generally paid from debt proceeds.

On the governmental fund financial statements, issuance costs are recognized in the period in which the debt is issued.

K. Capital Assets

All of the School District's capital assets are general capital assets generally resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of one thousand dollars. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets, except 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 over the following useful lives:

<u>Description</u>	<u>Useful Lives</u>
Land Improvements	10 - 20 years
Buildings and Building Improvements	10 - 73 years
Furniture, Fixtures, and Equipment	5 - 40 years
Vehicles	10 - 15 years

L. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables/Payables". Interfund balances within governmental activities are eliminated on the statement of net assets.

M. 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 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.

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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.

N. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on 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, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as liabilities on the fund financial statements when due.

O. 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 balance of any borrowing 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. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants. As of June 30, 2008, there were no net assets restricted by enabling legislation.

The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

P. Fund Balance Reserves

The School District reserves those portions of fund balance 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 which is available for appropriation in future periods. Fund balance reserves have been established for property taxes, bus purchase, and encumbrances.

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

Q. Capital Contributions

Capital contributions arise from outside contributions of capital assets.

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

R. Interfund Transactions

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments made for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/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/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

S. Estimates

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

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES, CORRECTION OF AN ERROR, AND RESTATEMENT OF NET ASSETS

A. Changes in Accounting Principles

For fiscal year 2008, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this statement for both the State Teachers Retirement System and the School Employees Retirement System postemployment healthcare plans, in the amount of \$3,560 and \$10,587, respectively, which are the same as the previously reported liabilities.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES, CORRECTION OF AN ERROR, AND RESTATEMENT OF NET ASSETS – (CONTINUED)

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

B. Correction of an Error and Restatement of Net Assets

In the prior fiscal year, the School District misclassified funds, as well as recorded the receivable for payment in lieu of taxes and grants incorrectly. In addition, the School District made errors in recording issuance costs and capital assets. These changes had the following effect on fund balance and net assets as previously reported.

	Other Governmental
Fund Balance June 30, 2007	\$412,372
Change in Fund Structure	(309)
Adjusted Fund Balance June 30, 2007	\$412,063

The restatement had the following effect on net assets:

	Governmental Activities
Net Assets June 30, 2007	\$19,377,730
Change in Fund Structure	(309)
Payment in Lieu of Taxes	498,486
Grants	(89,832)
Issuance Costs	98,169
Nondepreciable Capital Assets	282,958
Depreciable Capital Assets	(487,776)
Accumulated Depreciation	(1,337,519)
Restated Net Assets June 30, 2007	\$18,341,907

NOTE 4 - ACCOUNTABILITY

At June 30, 2008, the Title I, Title II-A, and Miscellaneous Federal Grants special revenue funds, and the Capital Projects capital projects fund, had deficit fund balances, in the amount of \$1,736, \$1,248, \$461, and \$13,875, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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 (Non-GAAP Basis) and Actual for the 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 the 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 liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund are as follows:

Changes in Fund Balance	
GAAP Basis	(\$1,971,322)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2007, Received in Cash FY 2008	220,913
Accrued FY 2008, Not Yet Received in Cash	(350,627)
Expenditure Accruals:	
Accrued FY 2007, Paid in Cash FY 2008	(489,839)
Accrued FY 2008, Not Yet Paid in Cash	431,653
Prepaid Items	(1,427)
Materials and Supplies Inventory	1,536
Advances In	42,397
Advances Out	(23,390)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(125,876)
Budget Basis	(\$2,265,982)

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

Interim monies held by the School District may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Bankers' acceptances and commercial paper if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 6 - DEPOSITS AND INVESTMENTS – (CONTINUED)

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$350,882 of the School District's bank balance of \$1,346,416 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

Investments

As of June 30, 2008, the School District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Repurchase Agreement	\$269,183	7/1/08
Federal Home Loan Banks Notes	499,065	3/10/10
Federal Home Loan Banks Notes	499,530	5/19/10
Federal Home Loan Banks Notes	995,630	2/22/13
Federal Home Loan Banks Notes	1,018,130	3/27/13
STAR Ohio	844,306	average 53.8 days
	<u>\$4,125,844</u>	

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the School District.

The securities underlying the repurchase agreement (Federal Home Loan Mortgage Corporation Notes) and the Federal Home Loan Banks Notes carry a rating of Aaa by Moody's. STAR Ohio carries a rating of AAA by Standards and Poor's. The School District has no policy regarding credit risk beyond the requirements of State statute. Repurchase agreements are limited to investments listed in items 1 and 2 on page 30. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The repurchase agreements are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name. The School District has no investment policy dealing with custodial credit risk beyond the requirements of the State statute.

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 6 - DEPOSITS AND INVESTMENTS – (CONTINUED)

The School District places no limit on the amount of its interim monies it may invest in a particular security. The following table indicates the percentage of each investment to the School District's total portfolio.

	Fair Value	Percentage of Portfolio
Repurchase Agreement	\$269,183	6.52%
Federal Home Loan Mortgage Corporation Notes	3,012,355	73.01

NOTE 7 - RECEIVABLES

Receivables at June 30, 2008, consisted of accounts (student fees and billings for user charged services), accrued interest, interfund, intergovernmental, income taxes, property taxes, and payment in lieu of taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except property taxes, income taxes, and payment in lieu of taxes, are expected to be collected within one year. Property taxes and income taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. Payment in lieu of taxes, in the amount of \$167,104, will not be received within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
General Fund	
State of Ohio	\$656
Ohio School Facilities Commission Fund	
Ohio School Facilities Commission	764,300
Other Governmental Funds	
Preschool	20,582
Schoolnet Professional Development	9,682
Title I	3,997
Drug Free	1,008
Title II-A	2,621
Miscellaneous Federal Grants	2,681
Total Other Governmental Funds	40,571
Total Intergovernmental Receivables	\$805,527

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 8 - INCOME TAXES

The School District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was effective in 1991 and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

NOTE 9 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2008 represent the collection of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2008 represent the collection of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien on December 31, 2006, were levied after April 1, 2007, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2008 (other than public utility property) represent the collection of calendar year 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after October 1, 2007, on the true value as of December 31, 2007. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, is 6.25 percent for 2008 and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30; however, this settlement was not received by the School District within fiscal year 2008.

The School District receives property taxes from Fulton County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 9 - PROPERTY TAXES – (CONTINUED)

Accrued property taxes receivable represents the late personal property tax settlement, real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2008, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 and the late personal property tax settlement were levied to finance current fiscal year operations and are reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2008, was \$64,950 in the General Fund, \$15,672 in the Bond Retirement debt service fund, and \$1,100 in the Maintenance special revenue fund. The amount available as an advance at June 30, 2007, was \$58,333 in the General Fund, \$21,600 in the Bond Retirement debt service fund, and \$951 in the Maintenance special revenue fund.

The late settlement made by the County for fiscal year 2008 was \$713 in the General Fund, \$106 in the Bond Retirement debt service fund, and \$8 in the Maintenance special revenue fund.

Collectible delinquent property taxes have been recorded as a receivable and revenue on a full accrual basis. On a modified accrual basis, the revenue has been deferred.

The assessed values upon which fiscal year 2008 taxes were collected are:

	<u>2007 Second- Half Collections</u>		<u>2008 First- Half Collections</u>	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$30,279,550	79.53%	\$30,700,740	79.13%
Industrial/Commercial	3,581,190	9.41	4,083,000	10.52
Public Utility	2,210,050	5.81	2,020,600	5.21
Tangible Personal	1,998,886	5.25	1,995,348	5.14
Total Assessed Value	<u>\$38,069,676</u>	<u>100.00%</u>	<u>\$38,799,688</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$59.56		\$55.30	

During fiscal year 2008, the School District's bond levy was reduced by 4.26 mills.

NOTE 10 - PAYMENT IN LIEU OF TAXES

According to State law, the Village of Fayette has entered into agreements with a number of property owners under which the Village of Fayette has granted property tax abatements to those property owners. The property owners have agreed to make payments which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The agreements provide for a portion of these payments to be made to the School District. The agreements are for a ten year period. The property owner's contractually promise to make these payments in lieu of taxes until the agreement expires.

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 11 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Restated Balance at 6/30/07	Additions	Reductions	Balance at 6/30/08
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$367,008			\$367,008
Construction in Progress	4,121,300	\$12,498,252	(\$16,619,552)	
Total Nondepreciable Capital Assets	4,488,308	12,498,252	(16,619,552)	367,008
Depreciable Capital Assets				
Land Improvements	87,884			87,884
Buildings and Building Improvements	4,388,273	16,619,552		21,007,825
Furniture, Fixtures, and Equipment	697,935	68,070	(3,761)	762,244
Vehicles	388,316	183,908	(79,620)	492,604
Total Depreciable Capital Assets	5,562,408	16,871,530	(83,381)	22,350,557
Less Accumulated Depreciation				
Land Improvements	(66,639)	(2,825)		(69,464)
Buildings and Building Improvements	(3,730,625)	(328,198)		(4,058,823)
Furniture, Fixtures, and Equipment	(554,186)	(25,932)	3,761	(576,357)
Vehicles	(288,390)	(28,705)	79,620	(237,475)
Total Accumulated Depreciation	(4,639,840)	(385,660)	83,381	(4,942,119)
Depreciable Capital Assets, Net	922,568	16,485,870		17,408,438
Governmental Activities Capital Assets, Net	\$5,410,876	\$28,984,122	(\$16,619,552)	\$17,775,446

During fiscal year 2008, the School District accepted contributions of depreciable capital assets with a fair value of \$49,161.

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 11 - CAPITAL ASSETS – (CONTINUED)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$267,638
Special	4,764
Vocational	2,185
Support Services:	
Pupils	994
Instructional Staff	3,638
Administration	12,226
Fiscal	2,175
Operation and Maintenance of Plant	\$5,479
Pupil Transportation	28,987
Non-Instructional Services	6,980
Extracurricular Activities	50,594
Total Depreciation Expense	<u>\$385,660</u>

NOTE 12 - INTERFUND ASSETS/LIABILITIES

At June 30, 2008, the General Fund had an interfund receivable, in the amount of \$23,995, from other governmental funds for short-term loans made to those funds.

NOTE 13 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the School District contracted for the following insurance coverage.

Coverage provided by Ohio School Plan is as follows:

General Liability	
Per Occurrence	\$1,000,000
General Aggregate	3,000,000
Building and Contents	11,735,064
Vehicle Liability	1,000,000
Uninsured Motorists	1,000,000

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

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 13 - RISK MANAGEMENT – (CONTINUED)

For fiscal year 2008, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

The School District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (Program), a public entity shared risk pool consisting of educational entities within Defiance, Fulton, Henry, and Williams Counties. The School District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees including medical, dental, vision, and life insurance. The Northern Buckeye Education Council is responsible for the management and operations of the Program. The agreement for the Program provides for additional assessments to all participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

The School District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis, and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

Plan Description - The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement plan. 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 the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 14 - DEFINED BENEFIT PENSION PLANS – (CONTINUED)

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP 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 fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the DCP. In the CP, 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 DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DBP or CP member with five or more years 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 DCP who become disabled are entitled only to their account balance. If a member of the DCP dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006, was \$285,476, \$269,404, and \$269,393 respectively; 84 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DCP and CP for fiscal year 2008 were \$17 made by the School District and \$4,608 made by the plan members.

B. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer public employee retirement plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 14 - DEFINED BENEFIT PENSION PLANS – (CONTINUED)

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006, was \$47,316, \$46,877, and \$50,671 respectively; 51 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2008, two of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages.

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

Plan Description - The School District contributes to a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which may be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care 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 Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contribution for health care for the fiscal years ended June 30, 2008, 2007, and 2006, was \$21,961, \$21,004, and \$21,217 respectively; 84 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 15 - POSTEMPLOYMENT BENEFITS – (CONTINUED)

B. School Employees Retirement System

Plan Description - The School District contributes to two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan, and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution 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 fiscal year 2008, 4.18 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 fiscal year 2008, this amount was \$29,383.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

The School District's contribution for health care for the fiscal years ended June 30, 2008, 2007, and 2006, was \$21,592, 15,563, and \$17,683 respectively; 51 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2008, this actuarially required allocation was .66 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 was \$3,409, \$3,188, and \$4,033 respectively; 51 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 16 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Teachers do not earn vacation time.

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 16 - OTHER EMPLOYEE BENEFITS – (CONTINUED)

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 thirty days for all employees. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit to a maximum of fifty-seven days for all employees.

B. Health Care Benefits

The School District provides medical, dental, vision, and life insurance to most employees through the Northern Buckeye Education Council Employee Insurance Benefits Program.

NOTE 17 - LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2008 were as follows:

	<u>Balance at 6/30/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/08</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
General Obligation Bonds					
FY1998 General Obligation Bonds					
Serial Bonds 4.3-4.45%	\$185,000		\$185,000		
Capital Appreciation Bonds 19.50%	24,708		24,708		
Accretion of Capital Appreciation Bonds	113,580	\$28,281	141,861		
FY2006 School Improvement Refunding Bonds					
Serial Bonds 4-4.5%	1,475,000		1,025,000	\$450,000	
Premium	21,139		21,139		

(Continued)

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 17 - LONG-TERM OBLIGATIONS – (CONTINUED)

	Balance at 6/30/07	Additions	Reductions	Balance at 6/30/08	Amounts Due Within One Year
Governmental Activities (continued)					
General Obligation Bonds (continued)					
FY2006 General Obligation Bonds					
Serial Bonds 3.75-4%	\$845,000		\$110,000	\$735,000	\$110,000
Term Bonds 4-4.55%	3,950,000			3,950,000	
Capital Appreciation Bonds 12.76%	89,999			89,999	
Accretion of Capital Appreciation Bonds	15,099	\$13,838		28,937	
Total General Obligation Bonds	6,719,525	42,119	1,507,708	5,253,936	110,000
Compensated Absences Payable	211,281		59,518	151,763	2,310
Total Governmental Activities Long-Term Obligations	<u>\$6,930,806</u>	<u>\$42,119</u>	<u>\$1,567,226</u>	<u>\$5,405,699</u>	<u>\$112,310</u>

FY 1998 General Obligation Bonds - On February 19, 1998, the School District issued \$2,404,708 in general obligation bonds for renovating, repairing, and improving existing school buildings. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$800,000, \$1,500,000, and \$24,708, respectively. The bonds were issued for a fourteen year period, with final maturity during fiscal year 2013. During fiscal year 2008, principal in the amount of \$90,000, was paid by the School District. In addition, in a prior fiscal year, the School District received a significant settlement from a lawsuit. During fiscal year 2008, the School District decided to use these monies to defease the remainder of the outstanding bonds. These monies were deposited in an irrevocable trust with an escrow agent and used to purchase United States Government Securities to provide for the future debt service payments on the bonds. As a result, the School District obtained a cashflow gain of \$135,376. The remaining refunded bonds were fully retired in December 2008.

FY 2006 School Improvement Refunding Bonds - On July 13, 2005, the School District issued \$1,475,000 in general obligation bonds to partially refund bonds previously issued in fiscal year 1998 for renovating, repairing, and improving existing school buildings. The bonds were issued for an eighteen year period, with final maturity during fiscal year 2024. The bonds will be retired through the Bond Retirement debt service fund. During fiscal year 2008, the School District defeased a portion of these bonds. In a prior fiscal year, the School District received a significant settlement from a lawsuit. During fiscal year 2008, the School District decided to use these monies to defease \$1,025,000 of the outstanding bonds. These monies were deposited in an irrevocable trust with an escrow agent and used to purchase United States Government Securities to provide for the future debt service payments on the bonds. As a result, the School District obtained a cashflow gain of \$611,955. As of June 30, 2008, \$1,025,000 of the refunded bonds was still outstanding.

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 17 - LONG-TERM OBLIGATIONS – (CONTINUED)

FY 2006 General Obligation Bonds - On March 24, 2006, the School District issued \$4,884,999, in general obligation bonds for constructing a school building. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$845,000, \$3,950,000, and \$89,999, respectively. The bonds were issued for a twenty-two year period, with final maturity during fiscal year 2028. The bonds will be retired through the Bond Retirement debt service fund.

The term bonds maturing on or after December 1, 2016, are subject to optional redemption, either in whole or in part, in such order as the School District shall determine, on any date on or after December 1, 2015, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The term bonds maturing on December 1, 2017, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, 2016, in the amount of \$140,000 (with the balance of \$145,000 to be paid at stated maturity on December 1, 2017), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The term bonds maturing on December 1, 2019, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, 2018, in the amount of \$150,000 (with the balance of \$155,000 to be paid at stated maturity on December 1, 2019), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The term bonds maturing on December 1, 2021, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, 2020, in the amount of \$165,000 (with the balance of \$170,000 to be paid at stated maturity on December 1, 2021), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The term bonds maturing on December 1, 2023, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, 2022, in the amount of \$175,000 (with the balance of \$185,000 to be paid at stated maturity on December 1, 2023), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The term bonds maturing on December 1, 2025, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, 2024, in the amount of \$195,000 (with the balance of \$200,000 to be paid at stated maturity on December 1, 2025), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 17 - LONG-TERM OBLIGATIONS – (CONTINUED)

The term bonds maturing on December 1, 2034, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, on December 1 in the year and the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2026	\$210,000
2027	220,000
2028	230,000
2029	240,000
2030	250,000
2031	260,000
2032	275,000
2033	285,000

The remaining principal, in the amount of \$300,000, will be paid at stated maturity on December 1, 2034.

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2015 and 2016. The maturity amount of the bonds is \$280,000. For fiscal year 2008, \$13,838 was accreted for a total bond value of \$118,936 at fiscal year end.

Compensated absences will be paid from the General Fund, and the Food Service and Title I special revenue funds.

The School District's overall debt margin was (\$1,919,256) with an unvoted debt margin of \$34,818 at June 30, 2008. The School District has been authorized by the Ohio Superintendent of Public Instruction to exceed its overall limitation because it has been designated as a "special needs" school district.

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 17 - LONG-TERM OBLIGATIONS – (CONTINUED)

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2008, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds		Capital Appreciation	Interest	Total
	Serial	Term			
2009	\$110,000			\$198,325	\$308,325
2010	115,000			194,106	309,106
2011	120,000			189,700	309,700
2012	125,000			185,106	310,106
2013	130,000			180,162	310,162
2014-2018	135,000	\$285,000	\$89,999	1,042,211	1,552,210
2019-2023	290,000	815,000		752,079	1,857,079
2024-2028	160,000	1,010,000		537,858	1,707,858
2029-2033		1,255,000		280,851	1,535,851
2034-2035		585,000		26,959	611,959
Total	<u>\$1,185,000</u>	<u>\$3,950,000</u>	<u>89,999</u>	<u>\$3,587,357</u>	<u>\$8,812,356</u>

NOTE 18 - SET ASIDES

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years.

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2008.

	Textbooks	Capital Improvements
Balance June 30, 2007	(\$88,278)	
Current Year Set Aside Requirement	67,981	\$67,981
Current Year Offsets		(\$67,981)
Qualifying Expenditures	(105,462)	
Balance June 30, 2008	<u>(\$125,759)</u>	

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 18 - SET ASIDES – (CONTINUED)

The School District had qualifying expenditures during the fiscal year that reduced the textbooks set aside amount below zero. This amount may be used to reduce the set aside requirement in future fiscal years.

NOTE 19 - INTERFUND TRANSFERS

During fiscal year 2008, the General Fund transferred \$400,000 to the Building capital projects fund and \$6,753 to other governmental funds to subsidize operations of those funds.

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The School District is a participant in the Northwest Ohio Computer Association (NWOCA), which is a computer consortium. NWOCA is an association of educational entities within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities.

The NWOCA Assembly consists of the superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the Governing Council of two representatives from each of the six counties in which member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Governing Council. During fiscal year 2008, the School District paid \$29,162 to NWOCA for various services. Financial information can be obtained from the Northwest Ohio Computer Association, 22-900 State Route 34, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among educational entities located in Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected board consisting of two representatives from each of the six counties in which the member educational entities are located. The Board is elected from an assembly consisting of a representative from each participating educational entity. Financial information can be obtained from the Northern Buckeye Education Council, 22-900 State Route 34, Archbold, Ohio 43502.

C. Four County Career Center

The Four County Career Center (Career Center) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Career Center is operated under the direction of a board consisting of five representatives from the Northwest Ohio Educational Service Center and one representative from the participating school districts elected boards. The Career Center 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 the Four County Career Center, Route 1, Box 245A, Archbold, Ohio 43502.

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS – (CONTINUED)

D. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

NOTE 21 - INSURANCE POOLS

A. Ohio School Plan

The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Schuetz Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Schuetz Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Schuetz Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

B. Northern Buckeye Education Council Employee Insurance Benefits Program

The Northern Buckeye Education Council Employee Insurance Benefits Program (Program) is a public entity shared risk pool consisting of educational entities within Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The Program is governed by the Northern Buckeye Education Council (NBEC) and its participating members.

C. Northern Buckeye Education Council Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (Plan) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The Plan is governed by the NBEC and the participants of the Plan. The Executive Director of the NBEC coordinates the management and administration of the Plan. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 22 - RELATED ORGANIZATION

The Normal Memorial Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Gorham Fayette Local School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies.

Although the School District serves as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Normal Memorial Library, at 301 North Eagle Street, Fayette, Ohio 43251.

NOTE 23 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

B. Litigation

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



Mary Taylor, CPA

Auditor of State

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

Gorham Fayette Local School District
Fulton County
400 East Gamble Road
Fayette, Ohio 43521-9462

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gorham Fayette Local School District, Fulton County, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 12, 2009. 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 District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2008-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

One Government Center / Suite 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We do not believe the significant deficiency described above is a material weakness.

We also noted a certain internal control matter that we reported to the District's management in a separate letter dated February 12, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the 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 noncompliance matters that we reported to the District's management in a separate letter dated February 12, 2009.

We intend this report solely for the information and use of the audit committee, management, and Board of Education. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

February 12, 2009

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2008**

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

FINDING NUMBER 2008-001

Significant Deficiency

Financial Reporting

As a result of the audit procedures performed, the following error was noted in the financial statements that required audit adjustments:

Contracts payable relating to the Ohio School Facilities Commission's (OSFC) building project were incorrectly allocated between the Building Fund (004) and OSFC Fund (010). This error resulted in the overstatement of Contracts Payable and Capital Outlay in the Building Fund by \$85,464. Contracts Payable and Capital Outlay in the OSFC Fund was understated by \$85,464.

Sound financial reporting is the responsibility of the fiscal officer and the governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To ensure the District's financial statements and notes to the statements are complete and accurate, the District should adopt policies and procedures, including a final review of the statements and notes by the Treasurer and the audit committee, to identify and correct errors and omissions. The Treasurer should also review the Uniform School Accounting System's chart of accounts to ensure that all accounts are being properly posted to the financial statements.

Adjustments were included in the accompanying financial statements to correct these errors.

Officials Response:

We did not receive a response from Officials to this finding.

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Significant Deficiency – Financial Reporting: Financial statement adjustments and reclassifications.	No	Partially corrected. Reissued as Finding 2008-001 in this report.
2007-002	Significant Deficiency – Sales Project Potential Forms: Forms not completed for 60% of fund raisers.	Yes	



Mary Taylor, CPA
Auditor of State

GORHAM-FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 10, 2009