



**GRAHAM LOCAL SCHOOL DISTRICT**

**CHAMPAIGN COUNTY**

**SINGLE AUDIT**

**JULY 1, 1998 THROUGH JUNE 30, 1999**



**JIM PETRO**  
**AUDITOR OF STATE**

STATE OF OHIO



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## REPORT OF INDEPENDENT ACCOUNTANTS

We have audited the accompanying general-purpose financial statements of the Graham Local School District, Champaign County, ("the District") as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 1999, and the results of its operations and cash flows of its proprietary fund types for the year ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 1999 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

**Jim Petro**  
Auditor of State

November 10, 1999



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**COMBINED BALANCE SHEET  
ALL FUNDS TYPES AND ACCOUNT GROUPS  
JUNE 30, 1999**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b><u>Assets and Other Debits:</u></b>				
<b><u>Assets:</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$1,277,536	\$221,893	\$280,965	\$8,633,356
Receivables:				
Taxes	3,980,023	146,153	680,295	252,739
Accounts	1,405	338	0	0
Intergovernmental	5,591	100	0	0
Interfund Receivable	111,801	0	0	0
Prepaid Items	59,336	501	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies				
Inventory	15,490	0	0	0
Notes Receivable	0	0	0	0
Restricted Assets:				
Cash and Cash Equivalents	216,126	0	0	0
Cash with Escrow Agent	0	0	0	119,114
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<b><u>Other Debits:</u></b>				
Amount Available in Debt Service				
Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	<u>\$5,667,308</u>	<u>\$368,985</u>	<u>\$961,260</u>	<u>\$9,005,209</u>
<b><u>Liabilities, Fund Equity and Other Credits:</u></b>				
<b><u>Liabilities:</u></b>				
Accounts Payable	\$43,372	\$6,892	\$0	\$6,470
Contracts Payable	0	0	0	1,893,434
Accrued Wages and Benefits	968,980	21,260	0	0
Compensated Absences Payable	13,473	0	0	0
Retainage Payable	0	0	0	134,624
Interfund Payable	0	8,963	0	102,838
Intergovernmental Payable	195,259	0	0	0
Deferred Revenue	3,676,611	139,589	625,421	235,306
Due to Students	0	0	0	0
Accrued Interest Payable	0	1,797	0	0
Notes Payable	0	117,500	0	0
Liabilities Against Restricted Assets:				
Retainage Payable	0	0	0	119,114
Energy Conservation Loan Payable	0	0	0	0
Asbestos Removal Loan Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	<u>4,897,695</u>	<u>296,001</u>	<u>625,421</u>	<u>2,491,786</u>
<b><u>Fund Equity and Other Credits:</u></b>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	163,805	18,074	0	5,737,535
Reserved for Inventory	15,490	0	0	0
Reserved for Bus Purchases	71,329	0	0	0
Reserved for Property Tax	304,565	6,564	54,874	17,433
Reserved for Underground Storage Tanks	11,000	0	0	0
Reserved for Budget Stabilization	133,797	0	0	0
Reserved for Notes Receivable	0	0	0	0
Unreserved (Deficit)	69,627	48,346	280,965	758,455
Total Fund Equity and Other Credits	<u>769,613</u>	<u>72,984</u>	<u>335,839</u>	<u>6,513,423</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$5,667,308</u>	<u>\$368,985</u>	<u>\$961,260</u>	<u>\$9,005,209</u>

*See accompanying notes to the general purpose financial statements*



Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long Term Obligations	
Enterprise	Trust and Agency			
\$125,977	\$113,280	\$0	\$0	\$10,653,007
0	0	0	0	5,059,210
9,096	273	0	0	11,112
13,391	0	0	0	19,082
0	0	0	0	111,801
2,993	0	0	0	62,830
10,380	0	0	0	10,380
1,337	0	0	0	16,827
0	10,000	0	0	10,000
0	0	0	0	216,126
0	0	0	0	119,114
44,158	0	16,116,113	0	16,160,271
0	0	0	335,839	335,839
0	0	0	8,521,916	8,521,916
<u>\$207,332</u>	<u>\$123,553</u>	<u>\$16,116,113</u>	<u>\$8,857,755</u>	<u>\$41,307,515</u>
\$1,992	\$1,021	\$0	\$0	\$59,747
0	0	0	0	1,893,434
34,370	0	0	0	1,024,610
26,589	0	0	1,005,995	1,046,057
0	0	0	0	134,624
0	0	0	0	111,801
32,454	0	0	80,664	308,377
6,865	0	0	0	4,683,792
0	30,023	0	0	30,023
0	0	0	0	1,797
0	0	0	0	117,500
0	0	0	0	119,114
0	0	0	130,000	130,000
0	0	0	77,426	77,426
0	0	0	7,563,670	7,563,670
<u>102,270</u>	<u>31,044</u>	<u>0</u>	<u>8,857,755</u>	<u>17,301,972</u>
0	0	16,116,113	0	16,116,113
105,062	0	0	0	105,062
0	0	0	0	5,919,414
0	0	0	0	15,490
0	0	0	0	71,329
0	0	0	0	383,436
0	0	0	0	11,000
0	0	0	0	133,797
0	10,000	0	0	10,000
0	82,509	0	0	1,239,902
<u>105,062</u>	<u>92,509</u>	<u>16,116,113</u>	<u>0</u>	<u>24,005,543</u>
<u>\$207,332</u>	<u>\$123,553</u>	<u>\$16,116,113</u>	<u>\$8,857,755</u>	<u>\$41,307,515</u>

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES  
AND EXPENDABLE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Governmental Funds Types				Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Revenues:</b>						
Taxes	\$3,655,701	\$147,146	\$611,458	\$242,202	\$0	\$4,656,507
Intergovernmental	6,373,459	343,915	64,023	9,042,049	0	15,823,446
Interest	126,582	35	0	279,749	4,310	410,676
Tuition and Fees	23,475	289	0	0	0	23,764
Extracurricular Activities	0	232,801	0	0	0	232,801
Gifts and Donations	100,453	1,619	0	0	0	102,072
Miscellaneous	105,286	8,038	10,246	8,000	0	131,570
Total Revenues	<u>10,384,956</u>	<u>733,843</u>	<u>685,727</u>	<u>9,572,000</u>	<u>4,310</u>	<u>21,380,836</u>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	4,794,685	91,014	0	0	0	4,885,699
Special	917,858	115,176	0	0	0	1,033,034
Vocational	377,619	0	0	0	0	377,619
Adult/Continuing	0	1,250	0	0	0	1,250
Other	34,129	0	0	0	0	34,129
Support Services:						
Pupils	437,969	243,894	0	0	0	681,863
Instructional Staff	591,516	35,570	0	0	0	627,086
Board of Education	36,299	0	0	0	0	36,299
Administration	895,843	0	0	0	0	895,843
Fiscal	258,041	1,819	15,208	0	0	275,068
Business	99,682	0	0	0	0	99,682
Operation and Maintenance of Plant	745,420	0	0	0	0	745,420
Pupil Transportation	791,716	0	0	0	0	791,716
Central	73,853	530	0	0	0	74,383
Extracurricular Activities	182,713	156,214	0	0	0	338,927
Capital Outlay	42,430	0	0	10,167,778	0	10,210,208
Debt Service:						
Principal Retirement	32,500	0	195,000	7,149	0	234,649
Interest and Fiscal Charges	7,605	7,121	375,036	0	0	389,762
Total Expenditures	<u>10,319,878</u>	<u>652,588</u>	<u>585,244</u>	<u>10,174,927</u>	<u>0</u>	<u>21,732,637</u>
Excess of Revenues Over (Under) Expenditures	<u>65,078</u>	<u>81,255</u>	<u>100,483</u>	<u>(602,927)</u>	<u>4,310</u>	<u>(351,801)</u>
<b>Other Financing Sources:</b>						
Compensation for Loss of General Fixed Assets	18,638	0	0	0	0	18,638
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	83,716	81,255	100,483	(602,927)	4,310	(333,163)
Fund Balance (Deficit) at Beginning of Year - Restated (Note 3)	704,668	(8,271)	235,356	7,116,350	88,199	8,136,302
Decrease in Reserve for Inventory	(18,771)	0	0	0	0	(18,771)
Fund Balance at End of Year	<u>\$769,613</u>	<u>\$72,984</u>	<u>\$335,839</u>	<u>\$6,513,423</u>	<u>\$92,509</u>	<u>\$7,784,368</u>

See accompanying notes to the general purpose financial statements

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**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Property Taxes	\$3,640,942	\$3,640,886	(\$56)	\$69,013	\$73,813	\$4,800
Intergovernmental	6,091,787	6,373,459	281,672	351,022	343,915	(7,107)
Interest	111,303	126,582	15,279	26	26	0
Tuition and Fees	27,098	27,098	0	289	289	0
Extracurricular Activities	0	0	0	231,189	232,876	1,687
Gifts and Donations	100,453	100,453	0	1,619	1,619	0
Miscellaneous	103,849	103,501	(348)	931	8,038	7,107
<b>Total Revenues</b>	<b>10,075,432</b>	<b>10,371,979</b>	<b>296,547</b>	<b>654,089</b>	<b>660,576</b>	<b>6,487</b>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	4,816,232	4,802,294	13,938	106,290	96,303	9,987
Special	991,629	918,178	73,451	141,220	122,973	18,247
Vocational	385,049	377,316	7,733	176	0	176
Adult/Continuing	0	0	0	3,555	1,250	2,305
Other	41,950	34,129	7,821	0	0	0
<b>Support Services:</b>						
Pupils	481,426	465,570	15,856	255,535	247,149	8,386
Instructional Staff	614,930	580,287	34,643	34,595	33,735	860
Board of Education	39,152	36,498	2,654	0	0	0
Administration	908,579	894,997	13,582	0	0	0
Fiscal	287,806	257,070	30,736	15,000	1,819	13,181
Business	108,891	104,520	4,371	0	0	0
Operation and Maintenance of Plant	775,761	739,245	36,516	0	0	0
Pupil Transportation	944,929	917,254	27,675	0	0	0
Central	77,990	69,799	8,191	6,965	6,965	0
Extracurricular Activities	202,008	182,744	19,264	195,725	161,541	34,184
Capital Outlay	57,761	55,410	2,351	0	0	0
<b>Debt Service:</b>						
Debt Service Payments	32,500	32,500	0	0	0	0
Interest and Fiscal Charges	7,605	7,605	0	0	0	0
<b>Total Expenditures</b>	<b>10,774,198</b>	<b>10,475,416</b>	<b>298,782</b>	<b>759,061</b>	<b>671,735</b>	<b>87,326</b>
Excess of Revenues Over (Under) Expenditures	(698,766)	(103,437)	595,329	(104,972)	(11,159)	93,813
<b>Other Financing Sources (Uses):</b>						
Compensation for Loss of General Fixed Assets	18,638	18,638	0	0	0	0
Refund of Prior Year Expenditures	767	767	0	0	0	0
Contingency	(50,000)	0	50,000	0	0	0
Advances In	0	0	0	0	8,963	8,963
Advances Out	(58,964)	(58,964)	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(89,559)</b>	<b>(39,559)</b>	<b>50,000</b>	<b>0</b>	<b>8,963</b>	<b>8,963</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(788,325)	(142,996)	645,329	(104,972)	(2,196)	102,776
Fund Balances (Deficit) at Beginning of Year	1,225,517	1,225,517	0	183,586	183,586	0
Prior Year Encumbrances Appropriated	212,045	212,045	0	16,730	16,730	0
<b>Fund Balances at End of Year</b>	<b>\$649,237</b>	<b>\$1,294,566</b>	<b>\$645,329</b>	<b>\$95,344</b>	<b>\$198,120</b>	<b>\$102,776</b>

See accompanying notes to the general purpose financial statements

Debt Service Fund			Capital Projects Funds			Expendable Trust Fund		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$573,304	\$613,304	\$40,000	\$220,299	\$244,299	\$24,000	\$0	\$0	\$0
64,023	64,023	0	9,042,049	9,042,049	0	0	0	0
0	0	0	251,651	279,749	28,098	3,288	4,310	1,022
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
77,015	66,768	(10,247)	8,000	8,000	0	0	0	0
<u>714,342</u>	<u>744,095</u>	<u>29,753</u>	<u>9,521,999</u>	<u>9,574,097</u>	<u>52,098</u>	<u>3,288</u>	<u>4,310</u>	<u>1,022</u>
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	5,000	0	5,000
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	16,975,271	16,366,184	609,087	0	0	0
253,750	253,750	0	7,149	7,149	0	0	0	0
383,055	383,055	0	0	0	0	0	0	0
<u>674,805</u>	<u>652,013</u>	<u>22,792</u>	<u>16,982,420</u>	<u>16,373,333</u>	<u>609,087</u>	<u>5,000</u>	<u>0</u>	<u>5,000</u>
<u>39,537</u>	<u>92,082</u>	<u>52,545</u>	<u>(7,460,421)</u>	<u>(6,799,236)</u>	<u>661,185</u>	<u>(1,712)</u>	<u>4,310</u>	<u>6,022</u>
0	0	0	0	0	0	0	0	0
0	10,247	10,247	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	50,001	50,001	0	0	0
0	0	0	0	0	0	0	0	0
<u>0</u>	<u>10,247</u>	<u>10,247</u>	<u>0</u>	<u>50,001</u>	<u>50,001</u>	<u>0</u>	<u>0</u>	<u>0</u>
39,537	102,329	62,792	(7,460,421)	(6,749,235)	711,186	(1,712)	4,310	6,022
178,636	178,636	0	4,587,821	4,587,821	0	78,199	78,199	0
0	0	0	2,908,227	2,908,227	0	0	0	0
<u>\$218,173</u>	<u>\$280,965</u>	<u>\$62,792</u>	<u>\$35,627</u>	<u>\$746,813</u>	<u>\$711,186</u>	<u>\$76,487</u>	<u>\$82,509</u>	<u>\$6,022</u>

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN RETAINED EARNINGS - ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

**Operating Revenues:**

Sales	\$459,628
Other Operating Revenues	101
Total Operating Revenue	<u>459,729</u>

**Operating Expenses:**

Salaries	194,559
Fringe Benefits	93,329
Purchased Services	11,137
Materials and Supplies	6,616
Cost of Sales	276,730
Depreciation	2,180
Total Operating Expenses	<u>584,551</u>

Operating Loss	<u>(124,822)</u>
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**Non-Operating Revenues:**

Federal Donated Commodities	30,092
Operating Grants	97,141
Interest	3,177
Loss on Disposal of Fixed Assets	(9)
Total Non-Operating Revenues	<u>130,401</u>

Net Income	5,579
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Retained Earning at Beginning of Year	<u>99,483</u>
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<b>Retained Earnings at End of Year</b>	<b><u><u>\$105,062</u></u></b>
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*See accompanying notes to the general purpose financial statements*

**COMBINED STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL  
ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b><u>Revenues:</u></b>			
Sales	\$456,295	\$456,407	\$112
Interest	3,177	3,177	0
Operating Grants	83,750	83,750	0
Total Revenues	<u>543,222</u>	<u>543,334</u>	<u>112</u>
<b><u>Expenses:</u></b>			
Salaries and Wages	207,557	201,004	6,553
Fringe Benefits	91,995	86,964	5,031
Purchased Services	13,398	11,873	1,525
Materials and Supplies	280,047	252,003	28,044
Capital Outlay	3,745	3,745	0
Other	918	917	1
Total Expenses	<u>597,660</u>	<u>556,506</u>	<u>41,154</u>
Excess of Revenues Over (Under) Expenses	(54,438)	(13,172)	41,266
Fund Balances at Beginning of Year	136,585	136,585	0
Prior Year Encumbrances Appropriated	506	506	0
<b>Fund Balances at End of Year</b>	<b><u>\$82,653</u></b>	<b><u>\$123,919</u></b>	<b><u>\$41,266</u></b>

*See accompanying notes to the general purpose financial statements*

**COMBINED STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

**Increase (Decrease) in Cash and Cash Equivalents**

**Cash Flows from Operating Activities:**

Cash Received from Customers	\$456,417
Cash Payments for Salaries	(201,004)
Cash Payments for Fringe Benefits	(86,964)
Cash Payments to Suppliers for Goods and Services	<u>(263,215)</u>
Net Cash Used for Operating Activities	(94,766)

**Cash Flows from Noncapital Financing Activities:**

Cash Received from Operating Grants	83,750
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**Cash Flows from Capital Financing Activities:**

Acquisition of Fixed Assets	(3,275)
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**Cash Flows from Investing Activities:**

Interest	<u>3,177</u>
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Net Decrease in Cash and Cash Equivalents	(11,114)
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Cash and Cash Equivalents at Beginning of Year	<u>137,091</u>
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Cash and Cash Equivalents at End of Year	<u><u>\$125,977</u></u>
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Reconciliation of Operating Loss to Net Cash Used for Operating Activities:

Operating Loss	(\$124,822)
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**Adjustments to Reconcile Operating Loss  
to Net Cash Used for Operating Activities:**

Depreciation	2,180
Donated Commodities Used During Year	30,092

**Changes in Assets and Liabilities:**

Increase in Accounts Receivable	(3,312)
Decrease in Prepaid Items	968
Increase in Materials and Supplies Inventory	(9)
Decrease in Inventory Held for Resale	49
Increase in Accounts Payable	1,136
Decrease in Accrued Wages and Benefits	(950)
Decrease in Compensated Absences Payable	(6,292)
Increase in Intergovernmental Payable	6,194
Net Cash Used for Operating Activities	<u><u>(\$94,766)</u></u>

*See accompanying notes to the general purpose financial statements*



**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

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

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

The School District was established in 1955 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 189 square miles. It is located in Champaign County, and includes all of the Villages of St. Paris, Christiansburg and DeGraff, and portions of Adams, Concord, Harrison, Jackson, Johnson, and Mad River Townships. The School District is staffed by 82 non-certificated employees, 125 certificated full-time teaching personnel and 16 administrative employees who provide services to 2,164 students and other community members. The School District currently operates 4 instructional buildings and one administrative building.

*Reporting Entity:*

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

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

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

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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

**A. Basis Of Presentation - Fund Accounting**

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

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

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

*Governmental Fund Types:*

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

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

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

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

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

*Proprietary Fund Types:*

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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

**A. Basis Of Presentation - Fund Accounting (Continued)**

*Proprietary Fund Types:*

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

*Fiduciary Fund Types:*

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

*Account Groups:*

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

*General Fixed Assets Account Group* - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

*General Long-Term Obligations Account Group* - This account group is established to account for all long-term obligations of the School District except those accounted for in the enterprise or trust funds.

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust 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. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All enterprise funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Enterprise fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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

**B. Measurement Focus and Basis of Accounting (Continued)**

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

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

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

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

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

**C. Budgetary Process**

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

All funds, other than agency funds, are legally required to be budgeted and appropriated.

*Tax Budget:*

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Champaign County Budget Commission for rate determination.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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

**C. Budgetary Process(Continued)**

*Estimated Resources:*

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

*Appropriations:*

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

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

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

*Encumbrances:*

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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

**C. Budgetary Process(Continued)**

*Lapsing of Appropriations:*

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

**D. Cash and Cash Equivalents**

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

During fiscal year 1999, investments were limited to STAROhio and non-negotiable certificates of deposit. Non-negotiable certificates of deposit are reported at cost. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 1999.

Following State statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 1999 amounted to \$126,582, which includes \$46,064 assigned from other School District funds.

The School District has segregated bank accounts for monies held separate from the School District's central bank account. These interest bearing depository accounts are presented in the Combined Balance Sheet as "Cash and Cash Equivalents with Fiscal Agent" since they are not required to be deposited into the School District treasury.

For purposes of the Combined Statement of Cash Flows and for presentation of the Combined Balance Sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

**E. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

**F. Inventory**

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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

**G. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents which use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the purchase of textbooks, for the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 17 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**H. Fixed Assets and Depreciation**

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

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

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

**I. Intergovernmental Revenues**

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

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

*Entitlements*

*General Fund*

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

*Special Revenue Funds*

- Textbook Subsidy

*Non-Reimbursable Grants*

*Special Revenue Funds*

- Education Management Information Systems
- Teacher Development Block Grant
- Ohio Department of Alcohol, Drug and Mental Health Services
- Adult Vocational Equipment
- Vocational Equipment
- Disadvantaged Pupil Impact Aid
- SchoolNet Professional Development

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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

**I. Intergovernmental Revenues (Continued)**

*Non-Reimbursable Grants (Continued)*  
*Special Revenue Funds (Continued)*  
Eisenhower Science/Mathematics  
Drug Free Education  
Title I  
Title VI  
Title VI-B  
*Capital Projects Funds*  
School Net Plus  
Technology Equity

*Reimbursable Grants*  
*General Fund*  
Driver Education  
*Capital Projects Funds*  
Emergency Building Repair  
*Enterprise Funds*  
National School Lunch Program  
Government Donated Commodities

Grants and entitlements amounted to approximately seventy-four percent of the School District's governmental operating revenue during the 1999 fiscal year.

**J. Interfund Assets/Liabilities**

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables".

**K. Compensated Absences**

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

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

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



**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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

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

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

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

**M. Interfund Transactions**

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

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

**N. Use of Estimates**

The preparation of the 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.

**O. Fund Balance Reserves**

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The reserve for the underground storage tank represents the amount held under State statute for the insurance deductible in case of leakage.

**P. Total Columns on General Purpose Financial Statements**

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**NOTE 3 - CORRECTION OF AN ERROR**

In fiscal year 1998, the School District had posted property tax revenues to the wrong fund. The effect of this error on excess of revenues and other financing sources over (under) expenditures on the GAAP basis for the prior year is as follows:

	Special Revenue	Capital Projects
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	\$228,307	\$6,841,575
Restatement for property tax revenues	37,012	(37,012)
Restated amounts for the year ended June 30, 1998	\$265,319	\$6,804,563

The correction of the property tax revenue had the following effects on fund balance as it was previously reported as of June 30, 1998.

	Special Revenue	Capital Projects
Balances as previously reported	(\$45,283)	\$7,153,362
Restatement of property taxes	37,012	(37,012)
Restated Balances as of June 30, 1998	(\$8,271)	\$7,116,350

Correction for the property tax revenue also changed the amounts reported on the budget basis of accounting for fund balances as follows:

	Special Revenue	Capital Projects
Fund Balance (Budget Basis) as Previously Reports	\$146,574	\$4,624,833
Restatement for property tax revenues	37,012	(37,012)
Restated fund balance (budget basis) June 30, 1998	\$183,586	\$4,587,821

**NOTE 4 - ACCOUNTABILITY**

At June 30, 1999, Library Construction special revenue fund and the Emergency Building Repair capital projects fund had GAAP basis deficit fund balances of \$119,297 and \$11,879, respectively. The deficits in the Emergency Building Repair capital projects fund resulted from the application of GAAP principles. The deficit in the Library Construction was caused by the requirement to report the tax anticipation notes as a fund liability. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)**

The major differences between the budget basis and GAAP basis are that: **(Continued)**

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and the expendable trust fund and as note disclosure in the enterprise fund type (GAAP basis).
4. For enterprise funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

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

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

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	\$83,716	\$81,255	\$100,483	(\$602,927)	\$4,310
Adjustments:					
Revenue Accruals	(12,317)	(6,889)	1,846	2,097	0
Expenditure Accruals	41,644	(3,574)	0	1,688,137	0
Unrecorded Cash at Fiscal Year End	0	(9)	0	0	0
Prepaid Items	2,021	571	0	0	0
Advances In (Out)	(58,964)	8,963	0	50,001	0
Notes Principal Retirement	0	0	(58,750)	0	0
Notes Receivable Issued	0	0	0	0	0
Transfer of Debt Activity	0	(58,750)	58,750	0	0
Encumbrances Outstanding At Year End (Budget Basis)	(199,096)	(23,763)	0	(7,886,543)	0
Budget Basis	<u>(\$142,996)</u>	<u>(\$2,196)</u>	<u>102,329</u>	<u>(\$6,749,235)</u>	<u>\$4,310</u>

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)**

Net Income/Excess of Revenues Under Expenses Enterprise Funds	
GAAP Basis	\$5,579
Adjustments:	
Revenue Accruals	(16,703)
Expense Accruals	88
Unrecorded Cash at Fiscal Year End	(10)
Fixed Assets Addition	(3,275)
Prepaid Items	968
Changes in Inventory	40
Depreciation	2,180
Loss on Disposal of Fixed Asset	9
Encumbrances Outstanding At Year End (Budget Basis)	(2,048)
Budget Basis	<u><u>(\$13,172)</u></u>

**NOTE 6 - DEPOSITS AND INVESTMENTS**

The Treasurer is responsible for selecting depositories and investing funds. State statutes classify monies held by the School District into three categories.

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

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

Interim deposits are deposits of interim moneys. Interim moneys are those moneys 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 accounts including passbook accounts.

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marking association. All federal agency services shall be direct issuances of federal government agencies or instrumentalities;

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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**NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)**

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Cash on Hand: At fiscal year end, the School District had \$260 in undeposited cash on hand which is included on the Combined Balance Sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents."

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

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$10,980,299 and the bank balance was \$11,113,463. Of the bank balance \$282,509 was covered by federal depository insurance and \$181,041 in pledged securities. The remaining amounts were uninsured and uncollateralized. Although the securities were held by the pledging financial institutions trust departments in the School District's name and all state statutory requirements for the investment of money had been followed, noncompliance with federal requirement would potentially subject the School District to a successful claim by the FDIC.

Investments: The School District's investments to be categorized to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. At year end, the School District's investment in STAROhio had a market value of \$7,688. STAROhio, an investment pool operated by the Ohio State Treasurer, is unclassified since it is not evidenced by securities that exist in physical or book entry form.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)**

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

A reconciliation between the classifications of cash and investments on the combined financial statements and the classifications per GASB 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$10,988,247	\$0
Cash on Hand	(260)	
Investments of the Cash		
Cash Management Pool:		
STAROhio	(7,688)	7,688
GASB Statement 3	\$10,980,299	\$7,688

**NOTE 7- PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at eighty-eight percent of true value (with certain exceptions) and on real property at thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are twenty-five percent of true value. The assessed values upon which the fiscal year 1999 taxes were collected are:

	1998 Second Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$292,058,290	65.68%	\$289,844,370	66.58%
Public Utility	24,108,910	5.60%	24,922,280	5.72%
Tangible Personal Property	123,284,759	28.72%	120,570,651	27.70%
Total Assessed Value	\$439,451,959	100.00%	\$435,337,301	100.00%
Tax rate per \$1,000 of assessed valuation	\$40.60		\$40.60	

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**NOTE 7 - PROPERTY TAXES (Continued)**

The School District receives property taxes from Champaign 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, 1999 are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999 was \$383,436 and is recognized as revenue. \$304,565 was available to the general fund, \$6,564 was available in the classroom facility maintenance special revenue fund, \$54,874 was available in the bond retirement debt service fund, and \$17,433 was available in the permanent improvement capital projects fund. At June 30, 1998, \$366,000 was available to the School District. \$289,750 was available to the general fund, \$56,720 was available in the bond retirement debt service fund, and \$19,530 was available in the permanent improvement capital projects fund.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 1999, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), interfund, and intergovernmental grants. 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 fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund:	
Tuition Reimbursement	\$4,606
Vocational Travel Reimbursement	985
Total General Fund	5,591
Special Revenue Fund:	
District Managed Student Activities Fund	
Track Invitational	100
Enterprise Fund:	
Lunchroom Fund	
National and State Lunch Reimbursement	13,391
Total Intergovernmental Receivables	\$19,082

**NOTE 9 - NOTES RECEIVABLE**

The Brecount Scholarship Fund was established in 1977 through a probate will. Qualified students may apply to borrow funds to pay for the costs of higher education. Repayments begin upon obtaining a gainful employment in their profession. The notes are interest free, and the note must be paid within ten years after obtaining gainful employment.

At the close of fiscal year 1999, there were two notes outstanding with a total principal balance of \$10,000.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**NOTE 10 - FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$129,796
Less Accumulated Depreciation	<u>(85,638)</u>
Net Fixed Assets	<u><u>\$44,158</u></u>

A summary of the changes in general fixed assets during fiscal year 1999 follows:

Asset Category	Balance at June 30, 1998	Additions	Reductions	Balance at June 30, 1999
Land and Improvements	\$566,137	\$849,163	\$0	\$1,415,300
Buildings and Improvements	2,250,418	70,700	68,229	2,252,889
Furniture, Fixtures and Equipment	1,447,334	187,545	50,184	1,584,695
Musical Instruments	45,160	0	0	45,160
Vehicles	1,125,921	12,200	35,792	1,102,329
Construction in Progress	<u>1,060,595</u>	<u>8,655,145</u>	<u>0</u>	<u>9,715,740</u>
Total	<u><u>\$6,495,565</u></u>	<u><u>\$9,774,753</u></u>	<u><u>\$154,205</u></u>	<u><u>\$16,116,113</u></u>

**NOTE 11 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District contracted with Nationwide Insurance for property and fleet insurance, liability insurance, and inland marine coverage. Coverages provided by Nationwide Insurance are as follows:

Building and Contents- replacement cost (\$1,000 deductible)	\$25,103,300
Boiler and Machinery- limit per accident (\$1,000 deductible)	8,139,200
Musical Instruments (\$250 deductible)	120,496
Radio Equipment	5,000
Electronic and Data Processing Equipment (includes software) (\$250 deductible)	196,109
Automobile Liability	2,000,000
Uninsured Motorists Bodily Injury Per Accident	1,000,000
Medical Payments Per Person	3,000
General Liability Per occurrence	2,000,000
Total per year	5,000,000

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



**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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**NOTE 11 - RISK MANAGEMENT (Continued)**

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (the GRP), an insurance purchasing pool (Note 22). The GRP is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

Participation in the GRP is limited to educational entities that can meet the GRP's selection criteria. Each participant must apply annually. The GRP 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 12 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement benefits 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 State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate 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 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$107,351, \$117,052, and \$131,157, respectively; 42.5 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$61,677 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The School District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 1999, plan members are required to contribute 9.3 percent of their annual covered salary. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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**NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)**

**B. State Teachers Retirement System (Continued)**

The School District's contribution for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$334,192, \$540,988, and \$599,808, respectively; 83.7 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$54,411 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$334,192 during the 1999 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,156 million at June 30, 1998. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For this fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll; an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including surcharge, equaled \$119,930 during the 1999 fiscal year.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of annual health care expenses. Expense for health care at June 30, 1998, was \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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**NOTE 14 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 200 days for classified and 220 days for certified employees and to the amount of contracted days per year for administrators. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 50 days for classified employees and 55 days for certified employees..

**B. Health, Dental, Vision and Life Insurance**

The School District provides health insurance benefits to employees through Anthem Blue Cross Blue Shield. The premium varies with each employee depending on marital and family status.

The School District also provides prescription drug through the same provider. The premium varies with each employee depending on marital and family status.

Vision care is provided through Vision Service Plan, Inc. The premium is a set fee per employee covered.

The School District provides life and dental insurance benefits through CoreSource. The premium is a set fee per employee for life insurance. The premium varies with each employee depending on marital and family status for dental insurance.

**NOTE 15 - SHORT-TERM OBLIGATIONS**

The School District issued \$392,750 in permanent improvement tax anticipation notes on March 15, 1996, for the St. Paris Public Library. The notes mature over a five year period and bear interest of 4.55 percent. The proceeds of the notes were recorded in the Library Construction special revenue fund. By Ohio law, the notes were issued in anticipation of tax revenues. During fiscal year 1999, the School District paid \$58,750 on the notes, leaving a remaining balance of \$117,500.

Principal and interest requirements to retire the notes at June 30, 1999, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2000	\$64,096
2001	<u>61,423</u>
Total	<u>\$125,519</u>

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**NOTE 16 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

<u>General Long-Term Obligations:</u>	Principal Outstanding 6/30/98	Additions	Reductions	Principal Outstanding 6/30/99
Energy Conservation Notes	\$162,500	\$0	\$32,500	\$130,000
General Obligation Bonds				
1998 School Facilities Issue				
Serial and Term Bonds 3.75 - 5.0%	7,500,000	0	195,000	7,305,000
Capital Appreciation Bonds 5 - 5.05%	235,877	22,793	0	258,670
<b>Total General Obligation Debt</b>	<b>7,898,377</b>	<b>22,793</b>	<b>227,500</b>	<b>7,693,670</b>
<u>Other Long-Term Obligations:</u>				
Asbestos Removal Loan	84,575	0	7,149	77,426
Intergovernmental Payable	72,481	80,664	72,481	80,664
Compensated Absences	927,778	78,217	0	1,005,995
<b>Total Other Long-Term Obligations</b>	<b>1,084,834</b>	<b>158,881</b>	<b>79,630</b>	<b>1,164,085</b>
<b>Total General Long-Term Obligations</b>	<b>\$8,983,211</b>	<b>\$181,674</b>	<b>\$307,130</b>	<b>\$8,857,755</b>

Energy Conservation Notes - In fiscal year 1993, Graham Local School District issued \$325,000 in unvoted general obligation notes for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372. The notes were issued for a ten year period with final maturity during fiscal year 2003. The notes will be retired from the general fund.

Asbestos Removal Loan - On May 17, 1991, Graham Local School District obtained a loan in the amount of \$128,683 for the purpose of providing asbestos removal for the Graham Local School District, under the authority of Ohio Revised Code Section 3317.22. The loan was issued for a twenty fiscal year period with final maturity during fiscal year 2011. The debt will be retired from the permanent improvement capital projects fund.

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

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

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**NOTE 16 - LONG-TERM OBLIGATIONS (Continued)**

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

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

The capital appreciation bonds will mature in fiscal years 2012 and 2013. The maturity amount of the bonds is \$800,000. For fiscal year 1999, \$22,793 was accreted for a total bond value of \$258,670.

Compensated absences and the intergovernmental payable will be paid from the fund from which the employees' salaries are paid. The change in compensated absences is presented net because it is not practical to determine the actual increase and decrease.

The School District's overall legal debt margin was \$8,285,864 with an unvoted debt margin of \$174,245 at June 30, 1999.

Principal and interest requirements to retire the long-term obligations at June 30, 1999, are as follows:

Fiscal Year Ending <u>June 30</u>	<u>Amount</u>
2000	\$618,232
2001	621,834
2002	619,624
2003	616,869
2004	581,904
2005 - 2009	2,914,543
2010 - 2021	<u>6,733,585</u>
Total	<u><u>\$12,706,591</u></u>

**NOTE 17 - RESERVATIONS OF FUND BALANCE**

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**NOTE 17 - RESERVATIONS OF FUND BALANCE (Continued)**

	<u>Textbook</u>	<u>Capital</u>	<u>Budget</u>	<u>Total</u>
Balance as of June 30, 1998	\$0	\$0	\$57,881	\$57,881
Revenue Required to be Set-aside	150,858	150,858	75,429	377,145
Workers' Compensation Refund in FY 99	0	0	487	487
Qualifying Expenditures (Paid in Cash)	(120,917)	0	0	(120,917)
Off-set for the current year	(29,941)	(150,858)	0	(180,799)
Balance as of June 30, 1999	<u>\$0</u>	<u>\$0</u>	<u>\$133,797</u>	<u>\$133,797</u>
Amount Restricted for Underground Storage Tanks				11,000
Amount restricted for bus purchases				71,329
Total Restricted Cash and Cash Equivalents				<u>\$216,126</u>

Amounts of offsets and qualifying disbursements presented in the table were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional offsets and qualifying disbursements during the year, these extra amounts may not be used to reduce the set-aside requirements of future years, and are therefore not presented.

**NOTE 18 - INTERFUND ACTIVITY**

As of June 30, 1999, receivables and payables that resulted from various interfund transactions were as follows:

<u>Fund Type/Fund</u>	<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>
General Fund	\$111,801	\$0
Special Revenue Fund:		
Miscellaneous Federal	0	8,963
Capital Projects Fund:		
Emergency Building Repair	0	102,838
Total All Funds	<u>\$111,801</u>	<u>\$111,801</u>

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**NOTE 19 - CONTRACTUAL COMMITMENTS**

As of June 30, 1999, the School District had contractual purchase commitments as follows:

<u>Company</u>	<u>Project</u>	<u>Amount Remaining on Contract</u>
Freytag & Associates	Sewer System Improvement	\$3,715
Oldham	Sewer System Improvement	107,859
DECC	Sewer System Improvement	22,495
Mechanical Systems of Dayton	Sewer System Improvement	10,080
Miami Valley Internal Truck	Sewer System Improvement	40,171
Miami Valley Internal Truck	2 Buses	71,329
DECC	Emergency Building Repair	26,244
Freytag & Associates	Emergency Building Repair	4,132
Harold J. Becker	Middle School Construction	167,943
Buschur Electric	Middle School Construction	560,620
Fanney Howey	Middle School Construction	18,215
Frost and Company	Middle School Construction	379,494
GM Mechanical	Middle School Construction	467,550
Quandel Group	Middle School Construction	265,595
Lima Contracting	Middle School Construction	993,513
KMCO Inc. Masonry	Middle School Construction	299,058
Miles McClellan	Middle School Construction	601,515
Peterson Construction	Middle School Construction	1,174,905
Saturn Electric	Middle School Construction	363,927
Slagle Mechanical	Middle School Construction	152,822
Stonecreek Interior	Middle School Construction	296,337
Demmy Construction	Middle School Construction	32,559
Shinn Brothers	Middle School Construction	3,360
Digital and Anmalog Design	Middle School Construction	72,746
EDR Systems	Middle School Construction	156,892
Esquire Data Corporation	Middle School Construction	139,208
OCD Network Systems	Middle School Construction	38,440
Celina Glass	Middle School Construction	92,954
Wasserstrom Company	Middle School Construction	245,672
Vulcan Enterprises	Middle School Construction	112,617
Buckeye Excavating	Middle School Construction	3,030

**NOTE 20 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains three enterprise funds to account for the operations of food service, uniform school supplies and adult education. The table below reflects the more significant financial data relating to the enterprise funds of the Graham Local School District as of and for the fiscal year ended June 30, 1999.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

**NOTE 20 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)**

	Food Service	Uniform School Supplies	Adult Education	Total Enterprise Funds
Operating Revenues	\$381,027	\$78,702	\$0	\$459,729
Depreciation Expense	2,180	0	0	2,180
Operating Income (Loss)	(128,586)	3,764	0	(124,822)
Donated Commodities	30,092	0	0	30,092
Operating Grants	97,141	0	0	97,141
Net Income	1,185	3,764	0	5,579
Fixed Assets Additions	3,275	0	0	3,275
Fixed Assets Deletions	882	0	0	882
Net Working Capital	52,181	34,345	967	87,493
Total Assets	171,380	34,985	967	207,332
Total Equity	69,750	34,345	967	105,062
Encumbrances Outstanding at June 30, 1999 (Budget Basis)	485	1,563	0	2,048

**NOTE 21 - JOINTLY GOVERNED ORGANIZATIONS**

*Ohio Hi-Point Joint Vocational School* - The Ohio Hi-Point Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Ohio Hi-Point Joint Vocational School, Eric Adelsberger, who serves as Treasurer, at 2280 State Route 540, Bellefontaine, Ohio 43311.

*Metropolitan Educational Council* - The Metropolitan Educational Council (MEC) is a purchasing cooperative made up of nearly 124 school districts in 22 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. The governing board of MEC consists of one voting representative from each member district. All member districts are obligated to pay all fees, charges, of other assessments as established by the MEC. To obtain financial information, write to the Metropolitan Educational Council, Elmo Kallner, who serves as Director, 6100 Channingway Boulevard, Suite 604, Columbus, Ohio 43232.

*Special Education Regional Resource Center (SERRC)* - The SERRC is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

SERRC is governed by a governing board of 52 members made up of representatives from 50 superintendents of the participating districts, one non-public school, and one from Wright State University whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Krista Hart, Treasurer, at the Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.



**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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**NOTE 22 - INSURANCE POOL**

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

**NOTE 23 - RELATED ORGANIZATION**

*St. Paris Public Library* - The St. Paris Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Graham 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 does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the St. Paris Public Library, Betty Bair, Clerk-Treasurer, at P. O. Box 740, St. Paris, Ohio 43072.

**NOTE 24 - SCHOOL FUNDING**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$5,567,335 of school foundation support for its general fund.

In addition, the Court declared the classroom facilities program unconstitutional, because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided money to build schools and furnish classrooms. As of June 30, 1999, the School District had received a total of \$9,465,403 under this program.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the thorough and efficient clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of December 27, 1999, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

**NOTE 25 - YEAR 2000**

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the government's operations as early as fiscal year 1999.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999  
(Continued)**

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**NOTE 25 - YEAR 2000 (Continued)**

Graham Local School District has completed an inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting School District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting.

The School District utilizes on-site software for financial reporting, payroll and employee benefits, and educational statistic reporting. These systems have been assessed, remediated and tested and validated.

Champaign County collects property taxes, which is the primary source of revenue for the payment of debt, for distribution to the School District. Champaign County is responsible for remediating its tax collection system.

The State of Ohio distributes a substantial sum of money to the School District in the form of "Foundation" and federal and state grant payments. The State is responsible for remediating this system.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the School District is or will be Year 2000 ready, that the School District's remediation efforts will be successful in whole or in part, or that parties with whom the School District does business will be year 2000 ready.

**NOTE 26 - 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, 1999.

**B. Litigation**

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

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 1999**

Department/Program	Federal CFDA Number	Pass Through Number	Cash Receipts	Non-Cash Receipts	Non-Cash Disbursements	Non-Cash Disbursements
<b>U.S. Department of Agriculture</b> (Passed through Ohio Department of Education)						
Nutrition Cluster:						
Commodities	10.550	N/A	\$0	\$27,887	\$0	\$30,092
National School Lunch Program	10.555	N/A	29,913	0	29,913	0
			49,573	0	49,573	0
Total Nat'l School Lunch Program			<u>79,486</u>	<u>0</u>	<u>79,486</u>	<u>0</u>
Total U.S. Department of Agriculture			79,486	27,887	79,486	30,092
<b>U.S. Department of Education</b> (Passed through Ohio Department of Education)						
Title I	84.010	N/A	1,828	0	13,086	0
			124,991	0	106,227	0
Total Title I			<u>126,819</u>	<u>0</u>	<u>119,313</u>	<u>0</u>
Title VI-B	84.027	N/A	0	0	21,394	0
			101,000	0	101,000	0
Total Title VI-B			<u>101,000</u>	<u>0</u>	<u>122,394</u>	<u>0</u>
Drug Free Education	84.186	N/A	11,071	0	10,333	0
Goals 2000 - Administration	84.276	N/A	823	0	823	0
School-to-Work Program			5,000	0	0	0
Total Goals 2000			<u>5,823</u>	<u>0</u>	<u>823</u>	<u>0</u>
Title VI	84.298	N/A	0	0	3,834	0
			8,026	0	8,026	0
Total Title VI			<u>8,026</u>	<u>0</u>	<u>11,860</u>	<u>0</u>
(Passed through Alcohol Drug Addiction and Mental Health of Logan and Champaign County)						
Drug Awareness Program	84.186A	N/A	0	0	3,129	0
			25,000	0	22,340	0
Total Drug Awareness Program			<u>25,000</u>	<u>0</u>	<u>25,469</u>	<u>0</u>
Total U.S. Department of Education			<u>277,739</u>	<u>0</u>	<u>290,192</u>	<u>0</u>
<b>Total Federal Financial Assistance</b>			<b><u>\$357,225</u></b>	<b><u>\$27,887</u></b>	<b><u>\$369,678</u></b>	<b><u>\$30,092</u></b>

See accompanying notes to Schedule of Federal Awards Expenditures.

## **NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

### **NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

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

### **NOTE B-NUTRITION CLUSTER**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.



STATE OF OHIO  
OFFICE OF THE AUDITOR

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

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

We have audited the financial statements of Graham Local School District, Champaign County, ("the District") as of and for the year ended June 30, 1999, and have issued our report thereon dated November 10, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 1999-10311-001 through 1999-10311-003. We also noted immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated November 10, 1999.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 1999-10311-004 and 1999-10311-005.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 10, 1999.

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

**Jim Petro**  
Auditor of State

November 10, 1999



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

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

**Compliance**

We have audited the compliance of Graham Local School District, Champaign County, ("the District") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

**Internal Control Over Compliance**

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

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

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

**Jim Petro**  
Auditor of State

November 10, 1999



**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Title I, CFDA # 84.010
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
FOR THE YEAR ENDED JUNE 30, 1999  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>1999-10311-001</b>
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**Finding for Recovery**

Timothy Crawford, maintenance worker, resigned effective April 5, 1999. His hourly rate for the contract period of July 1, 1998 through June 30, 1999 was \$10.46 per hour. His bi-weekly pay of \$836.81 was calculated based on him working 8 hours per day for 260 days, then distributed equally over 26 pays. Based upon actual hours worked, including overtime, sick leave, personal and vacation hours accrued, he earned total wages in the amount of \$15,116. Mr. Crawford received wages for the period of July 1, 1998 through April 5, 1999 in the amount of \$16,201.59. This resulted in him being overpaid in the amount of one thousand, eighty-five dollars and forty-three cents (\$1,085.43).

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies being illegally expended is hereby issued against Timothy Crawford and the Treasurer Deborah Imhulse in favor of Graham Local School District's General Fund for the amount of one thousand, eighty-five dollars and forty-three cents (\$1,085.43).

The finding for recovery in the amount of \$1,085.43 was paid while under audit as evidenced by receipt #27499.

<b>Finding Number</b>	<b>1999-10311-002</b>
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**Finding For Recovery**

Graham Local School District paid the registration for Mr. Steve Ford to attend the 10<sup>th</sup> Annual Ohio School Bus Mechanics Association Workshop held October 28 and October 29, 1998. Mr. Ford is not an employee of the School District and the contract between Graham Local School District and Joe Ford's Garage did not include the School District paying for the training of employees or the registration for workshops or seminars.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies being illegally expended is hereby issued against Steve Ford in favor of Graham Local School District's General Fund for the amount of one hundred, sixty-five dollars and no cents (\$165.00).

The finding for recovery in the amount of \$165 was paid while under audit as evidenced by receipt #27498.

**SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 1999  
(Continued)**

<b>Finding Number</b>	<b>1999-10311-003</b>
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Ohio Rev. Code Section 149.351 states all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under Ohio Rev. Code Section 149.41.

Various documentation, including junior high and senior high student's schedules listing fees due and teachers envelopes at South Elementary, were discarded at year end.

Also, the following student activity clubs and/or principal funds discarded the documentation for various fund raisers held during the audit period:

B.P.A. (Business Professionals of America) Class of 1999 Class of 2000 Class of 2002 High School Yearbook	High School Principal Fund Jr. High School Principal Fund South Elementary's Principal Fund 8 <sup>th</sup> Grade Washington DC Trip
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All documentation and records should be maintained. Teachers, advisors, principals, and secretaries should contact the Treasurer's office to determine whether any documentation can be discarded before destroying. Disposal of records should only be made in accordance with an approved record retention schedule.

<b>Finding Number</b>	<b>1999-10311-004</b>
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**Payroll Overtime and Leave Requests**

The following weaknesses were noted in the payroll system at the District.

Supervisors do not communicate immediately to the payroll clerk when an employee resigns or is terminated.

Supervisors are allowing employees to work extra hours on one day and taking the hours off on other days without prior approval or submitting the required forms (comp time).

Twelve month employees, bus drivers and food service employees are not required to sign in, or submit time cards or sheets stating hours worked each day; supervisors are placing a checkmark beside the employee's name on the sign in sheets.

The payroll system pays employees in advance of the calculated work week, which resulted in a 12 month employee being paid for days not worked.

The Board of Education should establish and enforce the following policies and procedures:

- S The Board of Education should establish a comp time policy and enforce the policy in place in regards to overtime.
- S A request for an employee to work overtime or comp time should be submitted to the superintendent, in writing, prior to the day for approval.
- S Hourly employees, especially 12 month employees, should be completing a time card or sheet stating the hours and times worked each day.
- S At the end of the pay period, supervisors should approve the time cards before submitting them to the payroll clerk, along with any absence excuses, including comp time taken.
- S Supervisors should inform the Treasurer's office immediately when an employee is terminated, resigns or retires.

**SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 1999  
(Continued)**

<b>Finding Number</b>	<b>1999-10311-005</b>
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**Yearbook Sales**

The yearbook club publishes and sells yearbooks at the high school. Proceeds from sales of yearbooks and advertising should be adequate to cover all costs for the program, and current year sales should be used to pay for current books. Revenue was used to pay for prior years publishing costs, and discounts for early payments were not utilized. Yearbook sales were co-mingled between years. Advertisements in the 1998 yearbook were not billed, and advertising contracts for other years were destroyed. Sales projections and cost analysis were not performed. Receipt records did not always agree to subsidiary ledgers. This caused the club to run a deficit balance, and the general fund to transfer \$4,916 to the fund during this audit period. The fund currently has payables in excess of cash of approximately \$30,000.

The District should advance funds from the General fund to the Yearbook Fund in order to pay for the remainder of 1998 and 1999 publishing costs. Receipts should be written for all money collected, and all records and contracts should be maintained. The District should adopt policies and procedures regarding costing, record keeping, reporting. Activities for different years should be segregated. A schedule should be developed regarding the repayment of the General Fund, and regular reports regarding current activities and repayment status should be made to the board.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD</b>
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None

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A -133 § .315 (b)**  
**FOR THE YEAR ENDED JUNE 30, 1999**

Finding Number	Finding Summary	Fully Corrected ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid:
1998-10311-001	Ohio Rev. Code Section 5705.38, did not adopt appropriations on a timely basis	Corrected	N/A
1998-10311-002	Ohio Rev. Code Section 5705.41 (B), expended monies without appropriations.	Corrected	N/A
1998-10311-003	Food Service Director did not receive the cafeteria daily receipt reports.	Corrected	N/A
1998-10311-004	Graham LSD was not Year 2000 compliance	Corrected	N/A





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**GRAHAM LOCAL SCHOOL DISTRICT**

**CHAMPAIGN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 11, 2000**