



**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Gorham Fayette Local School District (the District) as of and for the year ended June 30, 2001, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

December 4, 2001

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**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2001**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,126,378	\$118,121	\$132,859	\$38,741
Cash and Cash Equivalents:				
With Fiscal Agents		995		4,610
Receivables:				
Taxes	864,757		177,338	
Accounts	9,823			
Intergovernmental		4,888		
Accrued Interest	1,308			
Interfund Receivable	1,800			
Income Tax	126,676			
Materials and Supplies Inventory	12,247			
Prepaid Items	10,481			
Fixed Assets				
Accumulated Depreciation				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	20,872			
Other Debits:				
Amount in Debt Service Fund for Retirement of Provided from General Government Resources				
Total Assets and Other Debits	<u><u>\$2,174,342</u></u>	<u><u>\$124,004</u></u>	<u><u>\$310,197</u></u>	<u><u>\$43,351</u></u>

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$9,875	\$37,493			\$1,463,467
				5,605
				1,042,095
				9,823
				4,888
				1,308
				1,800
				126,676
4,429				16,676
				10,481
53,668 (36,154)		\$6,294,940		6,348,608 (36,154)
				20,872
			\$132,859	132,859
			2,475,956	2,475,956
\$31,818	\$37,493	\$6,294,940	\$2,608,815	\$11,624,960

(Continued)

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2001
(Continued)**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$8,806	\$2,771		
Accrued Wages and Benefits	280,241	8,212		
Compensated Absences Payable	3,463			
Retainage Payable				\$4,610
Interfund Payable				
Intergovernmental Payable	46,755	1,016		
Deferred Revenue	802,683		\$164,048	
Due to Students				
General Obligation Bonds Payable				
Total Liabilities	<u>1,141,948</u>	<u>11,999</u>	<u>164,048</u>	<u>4,610</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved:				
Reserved for Encumbrances	38,831	758		1,050
Reserved for Inventory	12,247			
Reserved for Prepaid Items	10,481			
Reserved for Debt Service Principal			132,859	
Reserved for Advances	1,800			
Reserved for Prinicpal Endowment				
Reserved for Property Taxes	62,074		13,290	
Reserved for Budget Stabilization	20,872			
Unreserved:				
Unreserved, Undesignated	886,089	111,247		37,691
Total Fund Equity and Other Credits	<u>1,032,394</u>	<u>112,005</u>	<u>146,149</u>	<u>38,741</u>
Total Liabilities, Fund Equity and Other Credits	<u><u>\$2,174,342</u></u>	<u><u>\$124,004</u></u>	<u><u>\$310,197</u></u>	<u><u>\$43,351</u></u>

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

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$468				\$12,045
6,668				295,121
2,564			\$279,594	285,621
				4,610
1,800				1,800
3,416			29,523	80,710
2,333				969,064
	\$22,148			22,148
			2,299,698	2,299,698
17,249	22,148		2,608,815	3,970,817
		\$6,294,940		6,294,940
2,446				2,446
12,123				12,123
				40,639
				12,247
				10,481
				132,859
	15,000			1,800
				15,000
				75,364
				20,872
	345			1,035,372
14,569	15,345	6,294,940		7,654,143
\$31,818	\$37,493	\$6,294,940	\$2,608,815	\$11,624,960

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
Revenues:		
Intergovernmental	\$1,733,599	\$321,675
Interest	100,797	
Tuition and Fees	17,615	
Rent	731	
Extracurricular Activities		58,923
Gifts and Donations	14,417	
Income Tax	366,069	
Property and Other Local Taxes	877,488	
Miscellaneous	315,432	
Total Revenues	<u>3,426,148</u>	<u>380,598</u>
Expenditures:		
Instruction:		
Regular	1,559,491	44,711
Special	159,828	72,410
Vocational	65,318	
Other	207,772	
Support services:		
Pupils	131,386	28,329
Instructional Staff	204,326	69,595
Board of Education	14,455	
Administration	361,278	
Fiscal	141,455	
Operation and Maintenance of Plant	310,896	
Pupil Transportation	170,202	
Central	10,973	9,268
Non-Instructional Services		135,453
Extracurricular activities	85,306	41,076
Capital Outlay	12,125	
Debt Service		
Debt Service - Principal		
Debt Service - Interest		
Total Expenditures	<u>3,434,811</u>	<u>400,842</u>
Excess of Revenues Over (Under) Expenditures	<u>(8,663)</u>	<u>(20,244)</u>
Other Financing Sources and Uses		
Proceeds from Sale of Fixed Assets	35	
Refund of Prior Year Expenditures	30,864	
Other Financing Sources	181	1,610
Refund of Prior Year Receipts	(2,000)	
Total Other Financing Sources (Uses)	<u>29,080</u>	<u>1,610</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	20,417	(18,634)
Fund Balance at Beginning of Year	<u>1,011,977</u>	<u>130,639</u>
Fund Balance at End of Year	<u>\$1,032,394</u>	<u>\$112,005</u>

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

Governmental Fund Types		Totals (Memorandum Only)
Debt Service	Capital Projects	
\$19,898	\$30,000	\$2,105,172
	320	101,117
		17,615
		731
		58,923
		14,417
		366,069
176,601		1,054,089
		315,432
<hr/>	<hr/>	<hr/>
196,499	30,320	4,033,565
		1,604,202
		232,238
		65,318
		207,772
		159,715
	23,245	297,166
		14,455
		361,278
3,639		145,094
		310,896
		170,202
		20,241
		135,453
		126,382
	4,275	16,400
65,000		65,000
108,652		108,652
<hr/>	<hr/>	<hr/>
177,291	27,520	4,040,464
<hr/>	<hr/>	<hr/>
19,208	2,800	(6,899)
		35
		30,864
		1,791
		(2,000)
<hr/>	<hr/>	<hr/>
		30,690
<hr/>	<hr/>	<hr/>
19,208	2,800	23,791
126,941	35,941	1,305,498
<hr/>	<hr/>	<hr/>
\$146,149	\$38,741	\$1,329,289

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001**

	General		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Intergovernmental	\$1,729,561	\$1,733,599	\$4,038
Interest	85,000	100,615	15,615
Tuition and Fees	64,051	17,591	(46,460)
Rent	700	630	(70)
Extracurricular Activities			
Gifts and Donations	7,500	14,417	6,917
Income Tax	343,469	355,254	11,785
Property and Other Local Taxes	884,492	887,316	2,824
Miscellaneous	319,394	315,432	(3,962)
Total Revenues	3,434,167	3,424,854	(9,313)
Expenditures:			
Current:			
Instruction:			
Regular	1,631,372	1,629,055	2,317
Special	152,517	150,048	2,469
Vocational	66,229	65,119	1,110
Other	211,390	207,990	3,400
Support services:			
Pupils	136,959	130,289	6,670
Instructional Staff	206,223	195,443	10,780
Board of Education	14,753	13,893	860
Administration	372,267	368,125	4,142
Fiscal	141,968	141,480	488
Operation and Maintenance of Plant	329,045	321,977	7,068
Pupil Transportation	208,737	175,186	33,551
Central	11,325	10,973	352
Non-Instructional Services	2,000		2,000
Extracurricular activities	88,041	84,636	3,405
Capital Outlay	14,205	12,679	1,526
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	3,587,031	3,506,893	80,138
Excess of Revenues Over (Under) Expenditures	(152,864)	(82,039)	70,825
Other Financing Sources and Uses			
Proceeds from Sale of Fixed Assets		35	35
Refund of Prior Year Expenditures		21,166	21,166
Advances In	61,531	58,031	(3,500)
Other Financing Sources	3,150	181	(2,969)
Refund of Prior Year Receipts	(2,000)	(2,000)	
Advances Out	(3,500)	(1,800)	1,700
Total Other Financing Sources (Uses)	59,181	75,613	16,432
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(93,683)	(6,426)	87,257
Fund Balances at Beginning of Year	1,067,364	1,067,364	
Prior Year Encumbrances Appropriated	38,673	38,673	
Fund Balance at End of Year	\$1,012,354	\$1,099,611	\$87,257

Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$320,647	\$316,787	(\$3,860)	\$19,900	\$19,898	(\$2)
72,921	58,923	(13,998)			
300		(300)	191,250	179,433	(11,817)
<u>393,868</u>	<u>375,710</u>	<u>(18,158)</u>	<u>211,150</u>	<u>199,331</u>	<u>(11,819)</u>
74,821	44,632	30,189			
80,377	70,236	10,141			
33,111	28,628	4,483			
75,453	69,585	5,868	6,000	3,639	2,361
10,277	9,274	1,003			
135,453	135,453				
54,463	41,333	13,130			
			65,000	65,000	
			109,952	108,652	1,300
<u>463,955</u>	<u>399,141</u>	<u>64,814</u>	<u>180,952</u>	<u>177,291</u>	<u>3,661</u>
<u>(70,087)</u>	<u>(23,431)</u>	<u>46,656</u>	<u>30,198</u>	<u>22,040</u>	<u>(8,158)</u>
1,610	1,610				
<u>1,610</u>	<u>1,610</u>				
(68,477)	(21,821)	46,656	30,198	22,040	(8,158)
131,086	131,086		110,819	110,819	
5,335	5,335				
<u>\$67,944</u>	<u>\$114,600</u>	<u>\$46,656</u>	<u>\$141,017</u>	<u>\$132,859</u>	<u>(\$8,158)</u>

(Continued)

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

	Capital Projects		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Intergovernmental	\$88,031	\$88,031	
Interest	100	320	\$220
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations			
Income Tax			
Property and Other Local Taxes			
Miscellaneous			
Total Revenues	88,131	88,351	220
Expenditures:			
Current:			
Instruction:			
Regular			
Special			
Vocational			
Other			
Support services:			
Pupils			
Instructional Staff	74,913	23,295	51,618
Board of Education			
Administration			
Fiscal			
Operation and Maintenance of Plant			
Pupil Transportation	23,251		23,251
Central			
Non-Instructional Services			
Extracurricular activities			
Capital Outlay	10,878	5,275	5,603
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	109,042	28,570	80,472
Excess of Revenues Over (Under) Expenditures	(20,911)	59,781	80,692
Other Financing Sources and Uses			
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures			
Advances In			
Other Financing Sources			
Refund of Prior Year Receipts			
Advances Out	(58,031)	(58,031)	
Total Other Financing Sources (Uses)	(58,031)	(58,031)	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(78,942)	1,750	80,692
Fund Balances at Beginning of Year	28,512	28,512	
Prior Year Encumbrances Appropriated	7,430	7,430	
Fund Balance at End of Year	(\$43,000)	\$37,692	\$80,692

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

Totals (Memorandum Only)

Budget	Actual	Variance: Favorable (Unfavorable)
\$2,158,139	\$2,158,315	\$176
85,100	100,935	15,835
64,051	17,591	(46,460)
700	630	(70)
72,921	58,923	(13,998)
7,800	14,417	6,617
343,469	355,254	11,785
1,075,742	1,066,749	(8,993)
319,394	315,432	(3,962)
4,127,316	4,088,246	(39,070)
1,706,193	1,673,687	32,506
232,894	220,284	12,610
66,229	65,119	1,110
211,390	207,990	3,400
170,070	158,917	11,153
356,589	288,323	68,266
14,753	13,893	860
372,267	368,125	4,142
147,968	145,119	2,849
329,045	321,977	7,068
231,988	175,186	56,802
21,602	20,247	1,355
137,453	135,453	2,000
142,504	125,969	16,535
25,083	17,954	7,129
65,000	65,000	
109,952	108,652	1,300
4,340,980	4,111,895	229,085
(213,664)	(23,649)	190,015
	35	35
	21,166	21,166
61,531	58,031	(3,500)
4,760	1,791	(2,969)
(2,000)	(2,000)	
(61,531)	(59,831)	1,700
2,760	19,192	16,432
(210,904)	(4,457)	206,447
1,337,781	1,337,781	
51,438	51,438	
\$1,178,315	\$1,384,762	\$206,447

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND EQUITY
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating Revenues:			
Sales	\$74,750		\$74,750
Interest		\$875	875
Other Revenues	618		618
	<hr/>	<hr/>	<hr/>
Total Operating Revenues	75,368	875	76,243
	<hr/>	<hr/>	<hr/>
Operating Expenses			
Salaries	41,428		41,428
Fringe Benefits	21,573		21,573
Purchased Services	648		648
Materials and Supplies	63,872		63,872
Depreciation	2,192		2,192
Other	599	933	1,532
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	130,312	933	131,245
	<hr/>	<hr/>	<hr/>
Operating Loss	(54,944)	(58)	(55,002)
	<hr/>	<hr/>	<hr/>
Non-Operating Revenues and Expenses			
Federal Donated Commodities	14,485		14,485
Interest	375		375
Federal and State Subsidies	31,150		31,150
	<hr/>	<hr/>	<hr/>
Total Non-Operating Revenues and Expenses	46,010		46,010
	<hr/>	<hr/>	<hr/>
Net Loss	(8,934)	(58)	(8,992)
	<hr/>	<hr/>	<hr/>
Retained Earnings/Fund Balances at Beginning of Year	21,057	15,403	36,460
	<hr/>	<hr/>	<hr/>
Retained Earnings/Fund Balances at End of Year	12,123	15,345	27,468
	<hr/>	<hr/>	<hr/>
Contributed Capital at Beginning of Year	2,446		2,446
Capital Contributions During the Year			
	<hr/>	<hr/>	<hr/>
Contributed Capital at End of Year	2,446		2,446
	<hr/>	<hr/>	<hr/>
Total Fund Equity at End of Year	\$14,569	\$15,345	\$29,914
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Increase (Decrease) in Cash and Cash Equivalents			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Sales	\$74,750		\$74,750
Other Cash Receipts	618		618
Cash Payments to Suppliers for Goods and Service	(49,589)		(49,589)
Cash Payments for Contract Services	(648)		(648)
Cash Payments for Employee Services	(39,487)		(39,487)
Cash Payments for Employee Benefits	(19,529)		(19,529)
Other Cash Payments	(599)	(\$933)	(1,532)
Net Cash Used by Operating Activities	<u>(34,484)</u>	<u>(933)</u>	<u>(35,417)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Operating Grants Received	31,150		31,150
Advances In	1,800		1,800
Net Cash Provided by Noncapital Financing Activities	<u>32,950</u>		<u>32,950</u>
<u>Cash Flows from Investing Activities:</u>			
Interest Received	375	875	1,250
Net Increase (Decrease) in Cash and Cash Equivalents	(1,159)	(58)	(1,217)
Cash and Cash Equivalents at Beginning of Year	<u>11,034</u>	<u>15,403</u>	<u>26,437</u>
Cash and Cash Equivalents at End of Year	<u>\$9,875</u>	<u>\$15,345</u>	<u>\$25,220</u>

(Continued)

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

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

	Proprietary Fund Types	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:			
Operating Loss	(\$54,944)	(\$58)	(\$55,002)
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided (Used) by Operating Activities:			
Depreciation	2,192		2,192
Donated Commodities Used During the Year	14,485		14,485
Nonexpendable Trust Interest		(875)	(875)
(Increase) Decrease in Assets:			
Material and Supplies Inventory	(2,018)		(2,018)
Increase (Decrease) in Liabilities:			
Compensated Absences Payable	442		442
Intergovernmental Payable	1,839		1,839
Deferred Revenue	1,348		1,348
Accrued Wages and Benefits	1,704		1,704
Accounts Payable	468		468
	20,460	(875)	19,585
Total Adjustments	20,460	(875)	19,585
Net Cash Used by Operating Activities	(\$34,484)	(\$933)	(\$35,417)
Reconciliation of Nonexpendable Trust Fund Cash Balance as of June 30, 2001:			
Cash and Cash Equivalents - Trust and Agency Funds			\$37,493
Less: Agency Funds			(22,148)
Cash and Cash Equivalents - Nonexpendable Trust Funds			\$15,345

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

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The Reporting Entity

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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 are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The enterprise and nonexpendable trust fund is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The enterprise fund operating statement presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

The modified accrual basis of accounting is followed for the governmental fund types and agency funds. The full accrual basis of accounting is followed by the enterprise and nonexpendable trust fund.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

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

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

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

On the accrual basis of accounting, 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.

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.

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

B. Fund Accounting

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

1. Governmental Funds

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

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

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

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

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

2. Proprietary Funds

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

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

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

3. Fiduciary Funds

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

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

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

4. Account Groups

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

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

C. Budgetary Accounting

Budgets are adopted on a cash basis.

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

The specific timetable is as follows:

1. Prior to January 15, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. A public hearing is publicized and conducted to obtain taxpayers' comments. The purpose of this Budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board adopted budget is filed with the County Budget Commission for rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. The annual appropriation measure (the true operating budget) is then developed at the fund, function and object level of expenditures, which are the legal levels of budgetary control.
4. A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

measure must be passed by October 1 of each year for a period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

5. The District maintains budgetary control by not permitting expenditures to exceed appropriations within each fund, function and object without approval of the Board of Education. The Board permits management to make discretionary, budgetary adjustments within each fund, which are approved by the Board on a monthly basis. Any adjustments that alter the total fund appropriation require specific action of the Board.
6. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

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

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

An analysis of the difference between GAAP and budgetary basis for all governmental fund types for the year ended June 30, 2001 follows:

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses				
	General	Special Revenue	Debt Service	Capital Projects
Budget Basis	(\$6,426)	(\$21,821)	\$22,040	\$1,750
Revenue Accruals	1,295	4,888	(2,832)	(58,031)
Expenditure Accruals	24,444	(5,220)		
Other Sources/Uses	(46,533)			58,031
Encumbrances	47,637	3,519		1,050
GAAP Basis	\$20,417	(\$18,634)	\$19,208	\$2,800

D. Encumbrances

The District is required to use the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

E. Cash and Investments

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

During fiscal year 2001, investments were limited to an overnight repurchase agreement, STAR Ohio, and a non-negotiable certificate of deposit. The repurchase agreement and non-negotiable certificate of deposit are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2001. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2001.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$100,615.

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

F. Inventory

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

G. Property, Plant and Equipment

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during construction of general fixed assets is also not capitalized. Contributed fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$300. This is based primarily on the

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
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uniqueness of these items to a school operation. No depreciation is recognized for assets in General Fixed Assets Account Group.

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

2. Proprietary Funds

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

H. Intergovernmental Revenues

In Governmental Funds, entitlements and non-reimbursable grants are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary

Fund operations are recognized as revenue when measurable and earned. This District currently participates in various state and federal programs, categorized as follows:

Entitlements

General Fund
State Foundation Program
School Bus Purchase Reimbursement

Non-Reimbursable Grants

Special Revenue Funds
Teacher Development
Educational Management Information Systems (EMIS)
School Improvement Incentive
Public School Preschool
OneNet Connectivity Subsidy
SchoolNet Professional Development
Textbook/Instructional Materials Subsidy
Ohio Reads
Summer Intervention
Extended Learning Opportunity
Safe School Teen Line
Eisenhower Grant
Title VI-B
Title I
Title VI
Drug Free Grant
Preschool Disability Grant

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

Telecomm
Continuous Improvement Plan
Title VI - R

Capital Projects Funds

SchoolNet
School Net Plus
Technology Equity
Emergency School Building Repair

Reimbursable Grants

General Fund

Driver Education Reimbursement
Vocational Education Equipment Fund

Enterprise Fund

National School Lunch Program
Government Donated Commodities

I. Interfund Transactions

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

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

J. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vested method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future.

The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. For governmental funds, the District provides a liability for unpaid accumulated sick leave and vacation time for eligible employees in the period the employees become eligible to receive payment. The current portion of unpaid compensated absences is the amount to be paid using expendable available

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

resources and is reported as an accrued liability in the fund from which the individuals who have accumulated the unpaid compensated absences are paid. The balance of the liability is reported in the General Long-Term Obligations Account Group. In proprietary funds, compensated absences are expensed when earned. The entire amount of unpaid compensated absences is reported as a fund liability.

K. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted by state statute to be set-aside by the School District 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.

L. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, property taxes, principal endowments, interfund advances, debt service, prepaids and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for principal endowments signifies the legal restrictions on the use of principal.

M. Estimates

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

N. Long-Term Obligations

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

O. Total Columns on Financial Statements

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

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

3. ACCOUNTABILITY

At June 30, 2001, the Title I, Reducing Class Size, and Uniform School Supply Funds had deficit fund balances of \$100, \$223, and \$1,003 which were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

4. CASH AND CASH EQUIVALENTS

State statutes classify monies held by the District into three categories.

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality; including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made through eligible institutions; and
6. The Ohio State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse purchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Deposits: At year-end, the carrying amount of the District's deposits was \$513,960 and the bank balance was \$603,861. Of the bank balance, \$134,557 was covered by Federal Depository Insurance; and \$469,304 was secured by pooled collateral that was held in the pledging financial institution's name. All State statutory requirements for the deposit of money had been followed.

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

Investments: The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the district's name. STAR Ohio is in unclassified investment since it is not evidenced by securities that exist in physical or book entry form. During fiscal year 2001, investments were limited to Star Ohio with a carrying amount and fair value as of June 30, 2001 of \$789,341, and a repurchase agreement, a Category 3 investment, with a carrying amount and fair value as of June 30, 2001 of \$185,648.

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

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

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

	Cash and Cash Equivalents Deposits	Investments
GASB Statement 9	\$1,488,949	
Investments of the Cash Management Pool:		
Repurchase Agreement	(185,648)	\$185,648
State Treasurer's Investment Pool	(789,341)	789,341
GASB Statement 3	\$513,960	\$974,989

5. PROPERTY TAXES

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

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

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

Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. The taxes are based on assessed values determined at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year.

Pertinent tangible personal property tax dates are:

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

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

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

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

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

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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(Continued)**

Taxes receivable represent current and delinquent real property, tangible personal property, and public utility property taxes, which are measurable at June 30, 2001. These taxes are intended to finance the next fiscal year's operations, and are therefore offset by a credit to deferred revenue, except for the portion, which is available to advance as of June 30, 2001.

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

	Amount
Agricultural/Residential Real Estate	\$3,752,770
Commercial/Industrial Real Estate	24,949,000
Public Utility Personal Property	2,956,730
General Personal Property	2,215,740
Total valuation	\$33,874,240

6. FIXED ASSETS

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

	Balance at 6/30/00	Additions	Disposals	Balance at 6/30/01
Land and Improvements	\$159,392			\$159,392
Buildings and Improvements	4,412,607	\$2,825		4,415,432
Furniture and Equipment	918,066	121,705	\$5,011	1,034,760
Vehicles	358,817	18,207	14,592	362,432
Text and Library Books	322,924			322,924
Totals	\$6,171,806	\$142,737	\$19,603	\$6,294,940

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

Asset Category	Balance at 06/30/2001
Furniture and Equipment	\$53,668
Less: Accumulated Depreciation	(36,154)
Net Fixed Assets	\$17,514

7. LONG-TERM OBLIGATIONS

During the year ended June 30, 2001, the following changes occurred in obligations reported in the General Long-Term Obligations Account Group:

	Principal Outstanding 06/30/00	Additions	Reductions	Principal Outstanding 06/30/01
General Obligation Bonds	\$2,356,260	\$8,438	\$65,000	\$2,299,698
Pension Obligation	24,012	5,511		29,523
Compensated Absences	252,938	26,656		279,594
Total Long-Term Obligations	\$2,633,210	\$40,605	\$65,000	\$2,608,815

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

Debt outstanding at June 30, 2001 consisted of a separate issue of construction and improvement bonds. The issue includes both current interest bonds, par value of \$2,300,000 and capital appreciation bonds, par value of \$315,000. These bonds were issued in 1998 and will mature in 2024. Interest rates for the current interest bonds range from 3.85 percent to 5.00 percent. The capital appreciation bonds mature on December 1, 2010, 2011 and 2012, with stated interest rate of 19.5 percent, at a redemption price equal to 100% of the principal, plus accrued interest at redemption date. The annual accretion of interest is computed semiannually. The accretion of interest on the capital appreciation bonds reported in the General Long-Term Obligations Account Group at June 30, 2001 was \$24,990.

Total expenditures for interest for the above debt for the period ended June 30, 2001 was \$108,652.

The scheduled payments of principal and interest on debt outstanding at June 30, 2001 are as follows:

<u>Fiscal year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$70,000	\$105,918	\$175,918
2003	75,000	102,926	177,926
2004	80,000	99,690	179,690
2005	80,000	96,310	176,310
2006	75,000	92,997	167,997
thereafter	<u>1,919,698</u>	<u>1,276,910</u>	<u>3,196,608</u>
Total	<u>\$2,299,698</u>	<u>\$1,774,751</u>	<u>\$4,074,449</u>

8. COMPENSATED ABSENCES

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Clerical, Technical, and Maintenance and Operation employees with one or more years of service are entitled to vacation ranging from 10 to 20 days. Employees with less than one year of service earn one vacation day per month worked, not to exceed five days. Certain employees are permitted to carry over vacation leave earned in the current year into the next year.

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

At June 30, 2001, the current amount of unpaid compensated absences in all funds, except for the proprietary funds, and the balance of the liability in the General Long-Term Obligation Account Group was \$3,463 and \$279,594, respectively. The liability for compensated absences in the proprietary funds at June 30, 2001 was \$2,564.

9. RETIREMENT INCENTIVE

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

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

10. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Teachers Retirement System, 275 E. Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$179,701, \$109,756, and \$104,504, respectively; 86 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$37,896 representing the unpaid contribution for fiscal year 2001 is recorded as a liability within the respective funds.

B. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan 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 financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of the annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$36,542, \$44,579, and \$40,942, respectively; 50 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$32,052 representing the unpaid contribution for fiscal year 2001 is recorded as a liability within the respective funds and the general long-term obligations account group.

11. POSTEMPLOYMENT BENEFITS

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium.

The Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently at 14 percent of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 30, 2000, the board allocated employer contributions equal to 8 percent of covered payroll to Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion on June 30, 2000. The Health Care Reserve Fund allocation for the year ended June 30, 2001 will be 4.5 percent of covered payroll.

For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000. There were 99,011 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2000, the allocation rate is 8.45 percent. 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 2000, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000 were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, the Retirement System's net assets available for payment of health care benefits were \$252.3 million. The number of participants currently receiving health care benefits is approximately 50,000.

The portion of your employer contributions that were used to fund postemployment benefits can be determined by multiplying actual employer contributions times .6036, then adding the surcharge due as of June 30, 2000, as certified to your district by SERS.

12. RISK MANAGEMENT

A. Comprehensive

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

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

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

B. Employee Insurance Benefits Program

The District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool consisting of school districts within Defiance, Fulton, Henry, and Williams counties and other eligible governmental entities. The District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees, which includes health, dental, and life insurance plans. Northern Buckeye Education Council is responsible for the management and operations of the program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for their share of any claims not processed and paid and any related administrative costs. The District paid \$299,553 in premiums during the 2001 fiscal year.

C. Workers' Compensation Group Program

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

Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement. The District paid \$5,894 in premiums during the 2001 fiscal year.

13. ENTERPRISE FUNDS SEGMENT INFORMATION

The District maintains two Enterprise Funds, which provide lunchroom/cafeteria, uniform school supply services, and adult education. Segment information for the year ended June 30, 2001 was as follows:

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$74,337	\$1,031	\$75,368
Depreciation Expense	2,192		2,192
Operating Income (Loss)	(52,626)	(2,318)	(54,944)
Donated Commodities	14,485		14,485
Grants	31,150		31,150
Interest	375		375
Net Income (Loss)	(6,616)	(2,318)	(8,934)
Net Working Capital	(1,942)	(1,003)	(2,945)

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

	Food Service	Uniform School Supplies	Total Enterprise Funds
Total Assets	30,553	1,265	31,818
Total Liabilities	14,981	2,268	17,249
Contributed Capital	2,446		2,446
Total Equity	15,572	(1,003)	14,569

14. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total fees paid by the District to NWOCA during this fiscal year were \$33,864. Financial information can be obtained from Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, and Williams Counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. Total disbursements made by the District to NBEC for GAAP conversion services during this fiscal year were \$2,750. To obtain financial information write to the Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

C. Four County Career Center

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

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

15. RELATED ORGANIZATIONS

Normal Memorial Library

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

Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Normal Memorial Library, Irene Fether, Clerk/Treasurer, at 301 North Eagle Street, Fayette, Ohio 43521.

16. GROUP PURCHASING POOLS

A. NBEC Employee Insurance Benefits Program

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams Counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NBEC for employee insurance benefits during this fiscal year were \$299,553. Financial information can be obtained from Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. NBEC Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under § 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program. During this fiscal year, the District paid an enrollment fee of \$421 to the WCGRP to cover the costs of administering the program.

17. SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. For fiscal year 2001, only the unspent portion of certain workers' compensation refunds continues to be set aside at fiscal year end.

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

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.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 2000	\$2,288		\$11,120	
Current Year Set-aside Requirement	78,159	\$78,159		
Workers Compensation Refunds			9,752	
Qualifying Disbursements	<u>(91,059)</u>	<u>(78,159)</u>		
Total	<u>(\$10,612)</u>	<u> </u>	<u>20,872</u>	
Cash Balance Carried Forward to FY 2002				<u>\$20,872</u>

Although the School District had offsets and qualifying disbursements during the year that reduced the capital acquisition set-aside amounts to below zero, the extra amounts may not be used to reduce the set-aside requirements of future years.

18. STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 04, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

19. INTERFUND TRANSACTIONS

Interfund balances at June 30, 2001 consist of the following individual fund receivable and payable:

	Interfund Receivable	Interfund Payable
General Fund	\$1,800	
Enterprise Fund		\$1,800
Total All Funds	\$1,800	\$1,800

20. AGENCY FUNDS

General-Purpose Statement Changes in Assets and Liabilities			
	Balance at 06/30/00	Change	Balance at 06/30/01
Assets	\$22,024	\$124	\$22,148
Liabilities	\$22,024	\$124	\$22,148

21. SCHOOL DISTRICT INCOME TAX

In 1991, the voters of the District passed a 1 percent school income tax on wages earned by residents of the District. The taxes are collected by the State Department of Taxation in the same manner as the state income tax. In the fiscal year ending June 30, 2001, the District recorded income tax revenue of \$355,254 in the General Fund, of which \$126,676 is recorded as a receivable at June 30, 2001.

22. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2001, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues". These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established for accrual basis revenue recognition must be met and the revenues must be available. For the School District, the implementation of these statements had no effect on fund balances/retained earnings as previously reported for the fiscal year ended June 30, 2000.

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

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

To the Board of Education:

We have audited the financial statements of Gorham Fayette Local School District (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated December 4, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 no instances of noncompliance that is required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management in a separate letter dated December 4, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated December 4, 2001.

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

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

Jim Petro
Auditors of State

December 4, 2001

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-10126-001	Board approved modifications for appropriations not recorded in accounting system.	Partially	Improvement has been noted. Comment was reported in management letter.
2000-10126-002	Board approved modifications for estimated resources not recorded in accounting system.	Yes	No longer valid



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GORHAM FAYETTE LOCAL SCHOOL DISTRICT

FULTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 27, 2001**