

**Graham Local School District
Champaign County, Ohio**

Basic Financial Statements

June 30, 2008

(with Independent Auditors' Report)



Mary Taylor, CPA
Auditor of State

Board of Education
Graham Local School District
370 E. Main Street
St. Paris, Ohio 43072

We have reviewed the *Independent Auditors' Report* of the Graham Local School District, Champaign County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Graham Local School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 12, 2008

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INDEPENDENT AUDITORS' REPORT

Board of Education
Graham Local School District
370 E Main Street
St. Paris, Ohio 43072

We have audited the accompanying financial statements of the governmental activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of the Graham Local School District (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2008, and the respective changes in financial position 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 8, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 44 through 47, are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

2525 north limestone street, ste. 103
springfield, oh 45503

www.cshco.com
p. 937.399.2000
f. 937.399.5433

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards 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 also not a required part of the basic financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Clark, Schufer, Hackett & Co.

Springfield, Ohio
December 8, 2008

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

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited*

The discussion and analysis of the Graham Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2008 are as follows:

Overall:

- Total net assets increased \$798,186, which represents a 6.44% increase from fiscal year 2007.
- Total assets of governmental activities decreased by \$2,207,237, due primarily to a decrease in cash and investments as a result of the School District completing the elementary school project.
- General revenues accounted for \$18.9 million or 87.95% of total revenue. Program specific revenues in the form of charges for services and operating grants and contributions account for \$2.6 million or 12.05% of total revenues of \$21.5 million.
- Of the School District's \$20.7 million in expenses, only \$2.6 million were offset by program specific charges for services, grants or contributions. General revenues (primarily grants and entitlements, and property taxes) were used to cover the net expense of \$18.1 million.
- The General Fund had \$17.5 million in revenues and \$16.5 million in expenditures representing 81.72% and 76.15% of the total governmental funds revenues and expenditures, respectively.

Using the Basic Financial Statements

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

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

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

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited*

Reporting the School District as a Whole

B. Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

C. Fund Financial Statements

The analysis of the School District's General Fund, Bond Retirement Fund, Permanent Improvement and Building Construction Project Fund begins on page 12. Fund financial reports provide detailed information about the General Fund, Bond Retirement Fund, Permanent Improvement and Building Construction Project Fund. The School District uses many funds to account for a multitude of financial transactions. However, these funds financial statements focus on the School District's most significant funds, and therefore only the General Fund, Bond Retirement Fund, Permanent Improvement and Building Construction Project Fund are presented separate from the other governmental funds.

GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Governmental Funds

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

The School District as a Whole

Table 1 provides a summary of the School District's net assets at June 30, 2008 as compared to June 30, 2007:

TABLE 1
NET ASSETS, JUNE 30

	<u>2008</u>	<u>2007, as restated</u>
ASSETS:		
Current and Other Assets	\$ 10,097,903	12,938,961
Capital Assets	<u>30,757,881</u>	<u>30,124,060</u>
Total Assets	<u>40,855,784</u>	<u>43,063,021</u>
LIABILITIES		
Current Liabilities	6,164,063	8,801,526
Noncurrent Liabilities	<u>21,501,205</u>	<u>21,869,165</u>
Total Liabilities	<u>27,665,268</u>	<u>30,670,691</u>
NET ASSETS:		
Invested in Capital Assets, Net of Debt	10,945,053	12,167,949
Restricted	2,435,747	3,398,129
Unrestricted	<u>(190,284)</u>	<u>(3,173,748)</u>
Total Net Assets	\$ <u>13,190,516</u>	<u>12,392,330</u>

The amount by which the School District's assets exceeded its liabilities is called net assets. As of June 30, 2008, the School District's net assets were \$13.2 million. The decrease in the unrestricted net asset deficit was due primarily to the School District spending less than it received during the fiscal year.

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

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited*

Table 2 shows the changes in net assets for fiscal year ended June 30, 2008 as compared to June 30, 2007.

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

	<u>2008</u>	<u>2007</u>
REVENUES:		
Program Revenues:		
Charges for Services	\$ 1,507,784	1,422,270
Operating Grants and Contributions	1,080,780	1,064,982
General Revenues:		
Property Taxes	6,669,034	5,167,828
Grants and Entitlements	11,658,185	11,330,421
Investment Earnings	204,486	647,926
Other	361,838	203,166
Total Revenues	<u>21,482,107</u>	<u>19,836,593</u>
PROGRAM EXPENSES:		
Instruction	9,523,132	10,415,147
Support Services:		
Pupils and Instructional Staff	2,325,393	1,990,741
Board of Education, Administration		
Fiscal and Business	2,022,573	1,813,781
Operation and Maintenance of Plant	1,410,734	1,321,013
Pupil Transportation	1,452,456	1,320,665
Central	116,556	98,728
Operation of Non-Instructional Services	2,404,378	1,002,977
Extracurricular Activities	459,706	485,393
Interest and Fiscal Charges	968,993	967,348
Total Expenses	<u>20,683,921</u>	<u>19,415,793</u>
Change in Net Assets	\$ <u>798,186</u>	<u>420,800</u>

Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. Property taxes made up 31.04% percent of revenues for governmental activities for the Graham Local School District for fiscal year 2008. The School District is extremely dependent upon intergovernmental revenues provided by the State of Ohio and the federal government; approximately 59.30% of the School District's total revenue was received from intergovernmental sources during fiscal year 2008.

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

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited*

For fiscal year 2008, total revenue reported by the School District increased 8.30% or \$1.6 million. Increases in property taxes accounted for most of the increase.

Total expenses reported for fiscal year 2008 were \$1.3 million higher than the prior fiscal year. While most of the functional areas of expenses remained relatively consistent with the prior year, the function that showed the greatest increase was operation of non-instructional services. The increase in this functions are a direct result the of the School District's construction costs associated with the new elementary school.

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

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

	2008		2007	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 9,523,132	8,151,302	10,415,147	9,156,563
Support Services:				
Pupils and Instructional Staff	2,325,393	2,071,263	1,990,741	1,668,773
Board of Education, Administration, Fiscal and Business	2,022,573	2,013,860	1,813,781	1,809,308
Operation and Maintenance of Plant	1,410,734	1,345,033	1,321,013	1,263,377
Pupil Transportation	1,452,456	1,452,456	1,320,665	1,320,665
Central	116,556	109,002	98,728	91,503
Operation of Non-Instructional Services	2,404,378	1,714,627	1,002,977	352,695
Extracurricular Activities	459,706	268,821	485,393	298,219
Interest and Fiscal Charges	968,993	968,993	967,348	967,348
Total Expenses	\$ 20,683,921	18,095,357	19,415,793	16,928,451

In fiscal year 2008, the School District reported \$2.6 million of program specific revenue compared with the \$2.5 million reported in the prior year. Increases in grant revenues associated with educational programs for special needs students comprised a majority of this increase. For fiscal year 2008, general revenues were used to pay 91.3% of the total expenses incurred while 87.2% of fiscal year 2007 expenses were funded with general revenues.

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

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited*

The School District's Funds

On the modified accrual basis of accounting, governmental funds had total revenues of \$21.5 million and expenditures of \$21.7 million.

General Fund Budgeting Highlights

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

The 21.87% increase in tax revenue for the General Fund was mainly due to an increase in current year property tax advances available from Champaign County. The 33.93% decrease in investment earnings reflects the drop in interest rates from fiscal year 2007 to 2008. Total expenditures for the General Fund increased only 5.51% from fiscal year 2007 with no significant categorical fluctuations to report.

For the General Fund, budget basis revenue was \$16.5 million as compared to the original budget estimates of \$17.0 million. This difference included property tax revenue initially budgeted at \$4.1 million with budget basis revenue coming in at \$4.0 million and intergovernmental revenues initially budgeted at \$11.7 million with budget basis revenue coming in at \$11.4 million.

Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$16.7 million, \$0.2 million above actual revenues and \$0.2 million below final budget estimates.

Capital Assets

At the end of fiscal year 2008, the School District had \$30.8 million invested in land, buildings, furniture and equipment, and vehicles in governmental activities.

Table 4 shows fiscal year 2008 balances compared to 2007:

**TABLE 4
CAPITAL ASSETS, JUNE 30**

	2008	Restated 2007
Land	\$ 348,941	348,941
Construction in Progress	-	14,407,911
Buildings	34,298,928	19,352,656
Improvements	2,617,547	2,033,661
Furniture and Equipment	2,626,551	2,094,950
Vehicles	1,765,962	1,910,395
Less: Accumulated Depreciation	(10,900,048)	(10,024,456)
	\$ 30,757,881	30,124,058

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

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited*

Overall capital assets were consistent with fiscal year 2007. See Note 7 to the financial statements for additional information.

For fiscal year 2000 and forward, Ohio law requires school districts to set aside three percent of certain revenues for capital improvements and an additional three percent for textbooks and instructional supplies. For fiscal year 2008, this amount was \$328,561 for each set aside requirement. The School District had qualifying disbursements in the amount of \$15.1 million (including carryover) for capital improvements and \$380,855 in textbooks (including carryover) to offset these requirements. In addition, the School District carried forward a deficit of \$52,294 for textbooks to meet the required disbursements for fiscal year 2008. See Note 19 to the financial statements for additional information.

Capital Lease/Debt Administration

At June 30, 2008, the School District had two capital leases with an outstanding balance of \$886,000, of which \$124,000 was due within one year. These leases are capitalized as building improvements within the governmental activities. Principal payments for fiscal year 2008 totaled \$120,000.

At June 30, 2008, the School District had two general obligation bonds outstanding with principal due of \$19.4 million, of which \$435,000 is due within one year.

Additional debt issues include a loan for asbestos removal with a balance due at June 30, 2008 of \$13,085, of which \$7,149 is due within one year.

The School District's overall debt margin was \$3,887,550 with an unvoted debt margin of \$242,286 at June 30, 2008.

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

Contacting the School District's Financial Management

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

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

*Statement of Net Assets
June 30, 2008*

	Primary Government	Component Unit
	Governmental Activities	Graham Digital Academy
ASSETS:		
Equity in Pooled Cash and Cash Equivalents	\$ 2,742,975	429,383
Investments	1,176,631	-
Receivables:		
Taxes	5,889,333	-
Intergovernmental	179,228	20,950
Materials and Supplies Inventory	12,473	-
Deferred Charges - Bond Issuance Costs	97,263	-
Capital assets not subject to depreciation	348,941	-
Capital assets, net of accumulated depreciation	<u>30,408,940</u>	<u>264,400</u>
 Total Assets	 <u>40,855,784</u>	 <u>714,733</u>
LIABILITIES:		
Accounts Payable	185,278	29,160
Contracts Payable	2,000	-
Accrued Wages and Benefits	1,551,521	-
Compensated Absences	49,939	-
Intergovernmental Payable	423,888	6,219
Unearned Revenue	3,951,437	-
Noncurrent Liabilities:		
Due Within One Year	616,088	3,800
Due In More Than One Year	<u>20,885,117</u>	<u>14,883</u>
 Total Liabilities	 <u>27,665,268</u>	 <u>54,062</u>
NET ASSETS:		
Invested in capital assets, net of related debt	10,945,053	245,717
Restricted for:		
Special Revenue	569,580	-
Debt Service	1,398,119	-
Capital Projects	468,048	-
Unrestricted	<u>(190,284)</u>	<u>414,954</u>
 Total Net Assets	 <u>\$ 13,190,516</u>	 <u>660,671</u>

See accompanying notes to the basic financial statements.

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

Statement of Activities

For the Fiscal Year Ended June 30, 2008

Functions/Programs:	Primary Government			Net (Expense) Revenue and Changes in Net Assets	Component Unit Graham Digital Academy
	Expenses	Program Revenues			
		Charges for Services	Operating Grants and Contributions		
Primary Government:					
Governmental Activities:					
Instruction:					
Regular	\$ 6,294,909	685,414	87,438	(5,522,057)	-
Special	1,916,347	-	595,754	(1,320,593)	-
Vocational	150	-	-	(150)	-
Adult/Continuing	1,307,221	-	-	(1,307,221)	-
Other	4,505	-	3,224	(1,281)	-
Support Services:					
Pupils	1,008,736	142,851	90,899	(774,986)	-
Instructional Staff	1,316,657	-	20,380	(1,296,277)	-
Board of Education	83,350	-	-	(83,350)	-
Administration	1,355,955	-	7,425	(1,348,530)	-
Fiscal	444,968	-	-	(444,968)	-
Business	138,300	-	1,288	(137,012)	-
Operation and Maintenance of Plant	1,410,734	-	65,701	(1,345,033)	-
Pupil Transportation	1,452,456	-	-	(1,452,456)	-
Central	116,556	-	7,554	(109,002)	-
Operation of Non-Instructional Services	2,404,378	488,634	201,117	(1,714,627)	-
Extracurricular Activities	459,706	190,885	-	(268,821)	-
Interest and Fiscal Charges	968,993	-	-	(968,993)	-
Total Primary Government	20,683,921	1,507,784	1,080,780	(18,095,357)	-
Component Unit:					
Graham Digital Academy	\$ <u>650,235</u>	<u>-</u>	<u>754,941</u>	<u>-</u>	<u>104,706</u>
General Revenues:					
Property Taxes Levied for:					
General Purposes				5,004,290	-
Special Purposes				101,493	-
Debt Service				1,270,484	-
Capital Outlay				292,767	-
Grants, Entitlements and Contributions not					
Restricted to Specific Programs				11,658,185	-
Investment Earnings				204,486	5,884
Other Revenue				361,838	21,491
Total General Revenues				18,893,543	27,375
Change in Net Assets				798,186	132,081
Net Assets, Beginning of Year, as restated				12,392,330	528,590
Net Assets, End of Year				\$ 13,190,516	660,671

See accompanying notes to the basic financial statements.

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

*Balance Sheet
Governmental Funds
June 30, 2008*

	General Fund	Bond Retirement	Permanent Improvement	Building Construction Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:						
Equity in Pooled Cash and Cash Equivalents	\$ 506,411	1,021,260	284,538	46,752	884,014	2,742,975
Investments	1,176,631	-	-	-	-	1,176,631
Receivables:						
Taxes	4,438,285	1,042,055	277,013	-	131,980	5,889,333
Intergovernmental	-	-	-	-	179,228	179,228
Interfund	120,000	-	-	-	-	120,000
Materials and Supplies Inventory	-	-	-	-	12,473	12,473
 Total Assets	 \$ <u>6,241,327</u>	 <u>2,063,315</u>	 <u>561,551</u>	 <u>46,752</u>	 <u>1,207,695</u>	 <u>10,120,640</u>
LIABILITIES:						
Accounts Payable	\$ 175,502	-	-	-	9,776	185,278
Contracts Payable	-	-	-	2,000	-	2,000
Accrued Wages and Benefits	1,443,117	-	-	-	108,404	1,551,521
Intergovernmental Payable	383,472	-	-	-	40,416	423,888
Compensated Absences Payable	49,939	-	-	-	-	49,939
Due to Other Funds	-	-	-	-	120,000	120,000
Deferred Revenue	<u>3,128,354</u>	<u>702,132</u>	<u>203,638</u>	<u>-</u>	<u>105,361</u>	<u>4,139,485</u>
 Total Liabilities	 <u>5,180,384</u>	 <u>702,132</u>	 <u>203,638</u>	 <u>2,000</u>	 <u>383,957</u>	 <u>6,472,111</u>
FUND BALANCES:						
Reserved for:						
Encumbrances	148,571	-	127,371	-	94,142	370,084
Materials and Supplies Inventory	-	-	-	-	12,473	12,473
Property Taxes	1,309,931	339,923	73,375	-	26,619	1,749,848
Unreserved, Undesignated:						
General Fund	(397,559)	-	-	-	-	(397,559)
Special Revenue Funds	-	-	-	-	690,504	690,504
Debt Service Fund	-	1,021,260	-	-	-	1,021,260
Capital Projects Funds	-	-	157,167	44,752	-	201,919
 Total Fund Balances	 <u>1,060,943</u>	 <u>1,361,183</u>	 <u>357,913</u>	 <u>44,752</u>	 <u>823,738</u>	 <u>3,648,529</u>
 Total Liabilities and Fund Balances	 \$ <u>6,241,327</u>	 <u>2,063,315</u>	 <u>561,551</u>	 <u>46,752</u>	 <u>1,207,695</u>	 <u>10,120,640</u>

See accompanying notes to the basic financial statements.

GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO
Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2008

Total Governmental Fund Balances	\$	3,648,529
Amounts reported for governmental are different because:		
Some assets used in the governmental activities are not financial resources and therefore are not reported in the the funds		
Capital Assets		30,757,881
Unamortized Bond Costs		97,263
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
		188,048
Long-term liabilities, which are not due and payable in the current period and therefore are not reported in the funds		
Compensated Absences		(1,166,622)
Asbestos Loan Payable		(13,085)
Capital Lease Payable		(886,000)
Unamortized Premium		(589,816)
Deferred Amount on Refunding		93,811
General Obligations Bonds Payable		<u>(18,939,493)</u>
Net Assets of Governmental Activities	\$	<u>13,190,516</u>

See accompanying notes to the basic financial statements.

GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
June 30, 2008

	General Fund	Bond Retirement	Permanent Improvement	Building Construction Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:						
Taxes	\$ 4,983,297	1,259,288	294,824	-	102,817	6,640,226
Intergovernmental	11,374,455	215,326	68,404	-	1,080,780	12,738,965
Investment Earnings	178,309	-	11,023	14,122	1,032	204,486
Tuition and Fees	685,414	-	-	-	-	685,414
Charges for Services	-	-	-	-	488,634	488,634
Extracurricular Activities	-	-	-	-	333,736	333,736
Miscellaneous	310,776	-	36,165	-	14,958	361,899
Total Revenues	<u>17,532,251</u>	<u>1,474,614</u>	<u>410,416</u>	<u>14,122</u>	<u>2,021,957</u>	<u>21,453,360</u>
EXPENDITURES:						
Current:						
Instruction:						
Regular	6,860,143	-	-	-	85,463	6,945,606
Special	1,350,323	-	-	-	544,784	1,895,107
Vocational	150	-	-	-	-	150
Adult/Continuing	1,302,781	-	-	-	-	1,302,781
Other	-	-	-	-	4,505	4,505
Support Services:						
Pupils	761,393	-	-	-	235,395	996,788
Instructional Staff	1,192,352	-	-	-	19,460	1,211,812
Board of Education	83,350	-	-	-	-	83,350
Administration	1,288,434	-	-	-	6,434	1,294,868
Fiscal	405,605	28,582	7,188	492	2,407	444,274
Business	133,938	-	-	-	-	133,938
Operation and Maintenance of Plant	1,316,776	-	3,510	-	125,315	1,445,601
Pupil Transportation	1,354,264	-	-	-	-	1,354,264
Central	110,575	-	-	-	5,981	116,556
Operation of Non-Instructional Services	-	-	-	-	656,778	656,778
Extracurricular Activities	314,441	-	-	-	177,410	491,851
Capital Outlay	-	-	1,077,998	823,261	4,350	1,905,609
Debt Service:						
Principal	21,000	385,002	106,147	-	-	512,149
Interest	14,543	837,554	33,727	-	-	885,824
Total Expenditures	<u>16,510,068</u>	<u>1,251,138</u>	<u>1,228,570</u>	<u>823,753</u>	<u>1,868,282</u>	<u>21,681,811</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	<u>1,022,183</u>	<u>223,476</u>	<u>(818,154)</u>	<u>(809,631)</u>	<u>153,675</u>	<u>(228,451)</u>
OTHER FINANCING SOURCES (USES):						
Transfers In	-	-	-	-	62,146	62,146
Transfers Out	(62,146)	-	-	-	-	(62,146)
Refund of Prior Year Receipts	-	-	-	-	(61)	(61)
Total Other Financing Sources (Uses)	<u>(62,146)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,085</u>	<u>(61)</u>
Net Change in Fund Balances	960,037	223,476	(818,154)	(809,631)	215,760	(228,512)
Fund Balance, Beginning of Year	<u>100,906</u>	<u>1,137,707</u>	<u>1,176,067</u>	<u>854,383</u>	<u>607,978</u>	<u>3,877,041</u>
Fund Balance, End of Year	\$ <u>1,060,943</u>	<u>1,361,183</u>	<u>357,913</u>	<u>44,752</u>	<u>823,738</u>	<u>3,648,529</u>

See accompanying notes to the basic financial statements.

GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO
*Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
June 30, 2008*

Total Net Change in Fund Balances - Total Governmental Funds	\$	(228,512)
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Amounts reported for governmental activities in the statement of activities are different because:

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

Capital Asset Additions		1,653,848
Current Year Depreciation		(1,020,025)

Revenues in the statement of activities that do not provided current financial resources are not reported as revenue in the funds.		28,804
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Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		512,149
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Some expenses reported in the statement of activities, such as compensated absences and intergovernmental payables which represents contractually required pension contributions, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences		(60,877)
Amortization of Premium		(23,593)
Amortization of Deferred Amount on Refunding		23,452
Unamortized Bond Issuance Costs		(3,891)
Accrued Interest on Capital Appreciation Bonds		<u>(83,169)</u>

Change in Net Assets of Governmental Activities	\$	<u>798,186</u>
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See accompanying notes to the basic financial statements.

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

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2008

	Scholarship Private- Purpose Trust Funds	Agency Fund
ASSETS:		
Equity in Pooled Cash and Cash Equivalents	\$ 128,705	39,669
Receivables:		
Notes	<u>47,500</u>	<u>-</u>
Total Assets	\$ <u>176,205</u>	<u>39,669</u>
LIABILITIES:		
Due to Students	<u>-</u>	<u>39,669</u>
Total Liabilities	<u>-</u>	<u>39,669</u>
NET ASSETS:		
Held in Trust for Scholarships	\$ <u>176,205</u>	

See accompanying notes to the basic financial statements.

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

*Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2008*

	Scholarship Private- Purpose Trust Funds
ADDITIONS:	
Investment Earnings	\$ 4,664
Miscellaneous	<u>15,733</u>
Total Additions	<u>20,397</u>
DEDUCTIONS:	
Educational Outreach	<u>-</u>
Total Deductions	<u>-</u>
Change in Net Assets	20,397
Net Assets, Beginning of Year	<u>155,808</u>
Net Assets, End of Year	\$ <u><u>176,205</u></u>

See accompanying notes to the basic financial statements.

GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1955 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 189 square miles. It is located in Champaign and Shelby Counties, and includes all of the Villages of Christiansburg, Rosewood, and St. Paris, and portions of Adams, Concord, Harrison, Jackson, Johnson, and Mad River Townships. The School District is staffed by 95 classified employees, 147 certified teaching personnel, and 9 administrative employees who provide services to 2,200 students and other community members. The School District currently operates 5 instructional buildings and an administration building.

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has assumed responsibility to finance the deficits of, or provide financial support to the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the levying of taxes or the issuance of debt for the organization.

The component unit column on the government-wide financial statements identifies the financial data of the School District's discretely presented component unit, Graham Digital Academy. It is reported separately to emphasize that it is legally separate from the School District.

Graham Digital Academy: Graham Digital Academy (Academy) is a legally separate organization served by an appointed seven-member Board of Directors (Board). The Academy was approved for operation under contract with the School District for a period of five years commencing July 1, 2007. The Academy began operations on March 11, 2004. The School District is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The Board consists of five voting members who are not employed by the School District and two non-voting members who hold administrative positions with the School District. The Board is responsible for carrying out provisions of the contract which, include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

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

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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

Therefore, the Academy is reflected as a component unit of Graham Local School District. The Academy operates on a fiscal year ending June 30. For the year ending June 30, 2008, the Academy paid \$240,366 to the School District for fiscal services.

The Academy issues a publicly available, stand-alone financial report that includes financial statements and supplementary information. That report may be obtained by writing to the Graham Digital Academy, 370 East Main Street, St. Paris, Ohio 43072 or by calling (937) 663-4123.

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

Jointly Governed Organizations:

Ohio Hi-Point Joint Vocational School
Western Ohio Computer Organization
West Central Ohio Special Education Regional Resource Center
Southwestern Ohio Education Purchasing Council
Southwestern Ohio Instructional Technology Association

Insurance Purchasing Pool:

Ohio School Boards Association Workers' Compensation Group Rating Plan

Related Organization:

St. Paris Public Library

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental and fiduciary.

Governmental Funds

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

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

GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Building Construction Project Fund – The Building Construction Project Fund is used to maintain the note proceeds for the construction of the new elementary school.

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

Fiduciary Funds

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

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

Fiduciary funds are reported using the economic resources measurement focus.

GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

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

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

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

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

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue.

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

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

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

GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budget Data

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue, are identified by the School District. The amounts reported as the original budgeted amounts in the budgetary schedule in the required supplementary information reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary schedule in the required supplementary information reflect the amounts in the final amended certificate issued during fiscal year 2008.

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

F. Cash and Cash Equivalents

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

During fiscal year 2008, investments included were limited to non-negotiable certificates of deposits, government securities and STAROhio.

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

The School District has invested funds in the State Treasury Assets Reserve of Ohio (STAROhio) during fiscal year 2008. STAROhio is an investment pool managed by the State Treasurer's Office that 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, 2008.

During fiscal year 2008, investments included were limited to non-negotiable certificates of deposits and government securities.

GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The School District allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year was \$178,309. Interest was also recorded in the Permanent Improvement, Building Construction and non-major funds in the amounts of \$11,023, \$14,122 and 1,032, respectively. The private-purpose scholarship fund recorded interest of \$4,664.

G. Materials and Supplies Inventory

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

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

H. Estimates

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

I. Capital Assets and Depreciation

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements throughout the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of three thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

<u>Description</u>	<u>Estimated Lives</u>
Buildings	50 years
Furniture and Equipment	5 – 20 years
Vehicles	10 years

J. Interfund Activity

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

K. Compensated Absences

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

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

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

L. Accrued Liabilities and Long-Term Obligations

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

GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. At June 30, 2008, none of the restricted net assets reported by the school district were restricted by enabling legislation.

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

N. Fund Balance Reserves

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

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

NOTE 3 – ACCOUNTABILITY

The following funds have fund equity deficits as of June 30, 2008:

	Deficit <u>Fund Equity</u>
Special Revenue Fund:	
Reducing Class Size	\$ <u>5,865</u>

The fund equity deficit resulted from adjustments for accrued liabilities. Management expects the deficit in this fund to be corrected in early fiscal year 2009.

GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 4 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

Deposits

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

At year end, the carrying amount of the School District's deposits was \$2,911,349 and the bank balance was \$3,315,283. Of the bank balance, \$300,000 was covered by federal depository insurance and \$3,015,283 was collateralized with securities held by the pledging financial institution's agent but not in the School District's name.

Investments: Investments are required to be reported at fair value. The Ohio Revised Code authorizes the School District to invest in United States and State of Ohio Bonds, notes and other obligations; bank certificate of deposits; banker's acceptances; commercial paper notes rated prime and issued by United States Corporations; and STAROhio. Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. During fiscal year 2008, the District's invested in Federal Home Loan Bank Bonds and Notes and Federal Home Loan Mortgage Corporation Bonds and Notes. There is no custodial credit risk associated with the investments because they are registered in the name of the District.

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

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

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

	Fair Value	Percent of Total Portfolio	Credit Rating	Weighted Average Maturity
Federal Home Loan Bank	730,648	62.10%	AAA	0.84 years
Federal Home Loan Mortgage Corp.	425,559	36.17%	AAA	1.34 years
Short Term US Treasury Obligations	20,424	1.74%	N/A	N/A
Total Investments	1,176,631	100.00%		
Portfolio Weighted Average Maturity				1.00 years

Component Unit: As of June 30, 2008, \$338,269 of the Academy's bank balance of \$438,269 was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTE 5 – PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2008 for real and public utility property taxes represents collections of calendar 2007 taxes. Property tax payments received during calendar 2008 for tangible personal property (other than public utility property) is for calendar 2008 taxes.

2008 real property taxes are levied after April 1, 2007, on the assessed value as of January 1, 2007, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2008 public utility property taxes became a lien December 31, 2007, are levied after April 1, 2008, and are collected in 2008 with real property taxes.

2008 tangible personal property taxes are levied after April 1, 2007, on the value as of December 31, 2007. Collections are made in 2008. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 5 – PROPERTY TAXES (Continued)

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

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

	2008 First Half Collections		2007 Second Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 215,636,110	89.00%	193,442,630	86.28%
Public Utility	7,348,320	3.03%	7,443,990	3.32%
Tangible Personal Property	19,302,051	7.97%	23,306,325	10.40%
Total Assessed Value	\$ 242,286,481	100.00%	224,192,945	100.00%
Tax rate per \$1,000 of assessed valuation	<u>\$34.35</u>		<u>\$34.10</u>	

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes that became measurable as of June 30, 2008. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations.

The amount available as an advance was recognized as revenue. On the Statement of Activities, the delinquent taxes that were levied in previous years are recognized as revenue.

The amount available as an advance at June 30, 2008, was \$1,309,931, \$339,923 and \$73,375 in the General Fund, Bond Retirement and Permanent Improvement funds, respectively. Other governmental funds had \$26,619 available as an advance.

GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 6 – RECEIVABLES

Receivables at June 30, 2008, consisted of current and delinquent property taxes. All receivables are considered fully due to the ability to foreclose for the nonpayment of taxes.

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the Graham Local School District for the fiscal year ended June 30, 2008, is as follows:

	Restated Balance, <u>6/30/2007</u>	<u>Additions</u>	<u>Deductions</u>	Balance, <u>6/30/2008</u>
<u>Capital Assets, not being depreciated</u>				
Land	\$ 348,941	-	-	348,941
Construction in Progress	<u>14,407,911</u>	<u>-</u>	<u>(14,407,911)</u>	<u>-</u>
	<u>14,756,852</u>	<u>-</u>	<u>(14,407,911)</u>	<u>348,941</u>
<u>Capital Assets, being depreciated</u>				
Buildings	19,352,656	14,946,272	-	34,298,928
Improvements	2,033,661	583,886	-	2,617,547
Furniture and Equipment	2,094,950	531,601	-	2,626,551
Vehicles	<u>1,910,395</u>	<u>-</u>	<u>(144,433)</u>	<u>1,765,962</u>
	<u>25,391,662</u>	<u>16,061,759</u>	<u>(144,433)</u>	<u>41,308,988</u>
<u>Less: Accumulated Depreciation</u>				
Buildings	(5,057,120)	(590,135)	-	(5,647,255)
Improvements	(2,005,858)	(91,528)	-	(2,097,386)
Furniture and Equipment	(1,420,029)	(244,848)	-	(1,664,877)
Vehicles	<u>(1,541,449)</u>	<u>(93,514)</u>	<u>144,433</u>	<u>(1,490,530)</u>
	<u>(10,024,456)</u>	<u>(1,020,025) *</u>	<u>144,433</u>	<u>(10,900,048)</u>
Capital Assets, being depreciated, net	<u>15,367,206</u>	<u>15,041,734</u>	<u>-</u>	<u>30,408,940</u>
Capital Assets, net	<u>\$ 30,124,058</u>	<u>15,041,734</u>	<u>(14,407,911)</u>	<u>30,757,881</u>

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

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 7 – CAPITAL ASSETS (Continued)

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

Instruction:			
Regular	\$	725,722	
Special		360	
Support Services:			
Instructional Staff		130,259	
Administration		31,515	
Operation and Maintenance of Plant		13,101	
Pupil Transportation		93,966	
Operation of Non-Instructional Services		15,867	
Extracurricular Activities		9,235	
	\$	<u>1,020,025</u>	

Capital asset activity for the Graham Digital Academy for the fiscal year ended June 30, 2008, is as follows:

	Balance, 6/30/2007	Additions	Reductions	Balance, 6/30/2008
<u>Capital Assets, being depreciated</u>				
Office Equipment and Computer	\$ 306,903	113,778	-	420,681
Less: Accumulated Depreciation	<u>(91,659)</u>	<u>(64,622)</u>	<u>-</u>	<u>(156,281)</u>
 Capital Assets, net	 \$ <u>215,244</u>	 <u>49,156</u>	 <u>-</u>	 <u>264,400</u>

NOTE 8 – NOTES RECEIVABLE

The Brecount Scholarship Expendable Trust Fund was established in 1977 through a probated will. Qualified students can borrow funds to pay for the costs of higher education. The loans are interest free. Repayments begin upon obtaining employment and must be paid within ten years. At June 30, 2008, the balances of the outstanding loans were \$47,500.

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

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 9 – RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the School District contracted with the Southwestern Ohio Educational Purchasing Council for property and fleet insurance, liability insurance, crime, terrorism and automobile coverage. Coverage provided through the Council is as follows:

Property, including building, contents, extra expense, business interruption, mobile equipment, valuable papers, fine art, accounts receivable, EDP, inland marine, and auto physical damage.	\$ 300,000,000
Crime and employee dishonesty (each and every loss)	500,000
Liability:	
General and employee benefits liability:	
Per occurrence	\$ 1,000,000
Aggregate annual total	3,000,000
Automobile, school board legal and employer and sexual abuse/molestation liability	1,000,000
Auto medical payments (per person)	5,000

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

B. Workers' Compensation

For fiscal year 2008, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006 were \$340,611, \$334,666, and \$314,850, respectively, equal to the required contributions for each year.

B. State Teachers Retirement System of Ohio

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

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

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

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

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

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

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006, were \$1,051,329, \$1,068,487, and \$1,078,432, respectively, equal to the required contributions for each year.

C. Social Security System

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

NOTE 11 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS) and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS).

A. School Employees Retirement System

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

State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contributions of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

The amount of the School District's contributions to SERS allocated to the Health Care Plan for the years ended June 30, 2008, 2007, and 2006 were \$115,060, \$61,271, and \$69,073, respectively.

GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$16,544, \$16,255, and \$15,293 respectively.

B. School Teachers Retirement System

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

Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the years ended June 30, 2008, 2007 and 2006 were \$77,186, \$76,321, and \$77,031, respectively.

NOTE 12 – OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred days for classified employees and two hundred twenty days for certified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of fifty-six days for classified and certified employees.

B. Health Care Benefits

The School District provides health insurance and prescription drug benefits through Anthem Blue Cross Blue Shield. Vision insurance is provided through Vision Service Plan, Inc. and life and dental insurance are provided through Core Source. The premiums for health and dental insurance vary with each employee depending on marital and family status. Premiums for vision and life insurance are a set fee per employee covered.

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

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 13 – LONG-TERM OBLIGATIONS

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

	Amount Outstanding June 30, 2007	Increase	Decrease	Amount Outstanding June 30, 2008	Amount Due Within One Year
Long-Term Obligations:					
Asbestos Removal Loan, 0.00%	\$ 20,234	-	7,149	13,085	7,149
General Obligation Bonds:					
1998 School Facilities Issue					
Serial and Term Bonds, 3.75% - 5.00%	1,430,000	-	335,000	1,095,000	350,000
Capital Appreciation Bonds, 5.00%-5.05%	520,989	47,675	-	568,664	-
2006 School Improvement Bonds					
Serial and Term Bonds, 2.95%-4.46%	16,920,000	-	50,000	16,870,000	85,000
Capital Appreciation Bonds, 4.30%-4.37%	370,335	35,494	-	405,829	-
Deferred Amounts:					
Bond Premium	613,409	-	23,593	589,816	-
Deferred Amount on Refunding	(117,263)	-	(23,452)	(93,811)	-
Capital Lease Payable	1,006,000	-	120,000	886,000	124,000
Compensated Absences	<u>1,105,461</u>	<u>1,793,721</u>	<u>1,732,560</u>	<u>1,166,622</u>	<u>49,939</u>
Total Governmental Activities	<u>\$ 21,869,165</u>	<u>1,876,890</u>	<u>2,244,850</u>	<u>21,501,205</u>	<u>616,088</u>

Asbestos Removal Loan

On May 17, 1991, the School District obtained a loan, in the amount of \$128,683, for providing asbestos removal. The loan was obtained for a twenty-year period, with final maturity during fiscal year 2010. The loan is being retired from the Permanent Improvement Capital Projects Fund.

Principal and interest requirements to retire the asbestos removal loan at June 30, 2008, were as follows:

Year	Principal	Interest	Total
2009	7,149	-	7,149
2010	<u>5,936</u>	-	<u>5,936</u>
	<u>\$ 13,085</u>	-	<u>\$ 13,085</u>

General Obligation Bonds

On May 1, 1998, the School District issued \$7,735,000 in voted general obligation bonds for construction, improvement, and renovation of school facilities. The bond issue included serial, term, and capital appreciation bonds in the amount of \$3,840,000, \$3,660,000, and \$235,000, respectively. The bonds were issued for a twenty-three year period, with final maturity during fiscal year 2021. The bonds are being retired from the Bond Retirement debt service fund. The capital appreciation bonds will mature in fiscal years 2012 and 2013. The maturity amount of the capital appreciation bonds is \$800,000. For fiscal year 2008, \$47,675 was accreted for a total bond value of \$568,664.

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

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 13 – LONG-TERM OBLIGATIONS (Continued)

During fiscal year 2006, the School District issued \$17,235,000 of general obligation bonds to refinance \$13,575,000 in bond anticipation notes and to advance refund \$3,660,000 of the 1998 school facilities issue. These bonds include serial and term bonds and capital appreciation bonds. The capital appreciation bonds will mature in fiscal years 2014 and 2015. The maturity amount of the capital appreciation bonds is \$775,000. For fiscal year 2008, \$35,494 was accreted for a total bond value of \$405,829.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	435,000	819,922	1,254,922
2010	430,000	801,046	1,231,046
2011	470,000	681,104	1,151,104
2012	570,000	767,719	1,337,719
2013	459,493	578,813	1,038,306
2014-2018	3,545,000	3,508,649	7,053,649
2019-2023	4,330,000	2,562,239	6,892,239
2024-2028	3,390,000	1,753,884	5,143,884
2029-2033	4,315,000	809,735	5,124,735
2034	995,000	24,875	1,019,875
	\$ <u>18,939,493</u>	<u>12,307,986</u>	<u>31,247,479</u>

Other Long-Term Obligations

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

The School District's overall debt margin was \$3,887,550 with an unvoted debt margin of \$242,286 at June 30, 2008.

GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 14 – CAPITAL LEASE – LESSEE DISCLOSURE

The School District entered into a lease-purchase agreement for the purpose of financing the acquisition and installation of energy conservation measures consisting of software enhancements at the middle and high schools and an ice storage system at the middle school. This lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. As of June 30, 2008, all expenditures were made in conjunction with the lease agreement, and the items have been capitalized. There were \$120,000 in principal payments made on this lease in fiscal year 2008.

The following is a schedule of future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2008.

Fiscal Year Ended June 30,	
2009	160,305
2010	160,752
2011	160,935
2012	159,877
2013	160,555
2014-2018	174,394
2019-2020	<u>69,155</u>
Total	1,045,973
Less: Amount Representing Interest	(155,307)
Amount Representing Participant Cost Component	<u>(4,666)</u>
Present Value of Net Minimum Lease Payments	\$ <u>886,000</u>

GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS

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

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

West Central Ohio Special Education Regional Resource Center – The West Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-two member board consisting of the superintendent from the fifty participating members, one representative from a non-public school, and one representative from Wright State University. The degree of control exercised by any participating members is limited to its representation on the Board. Financial information can be obtained from Krista Hart, Hardin County Educational Service Center, 1211 West Lima Street, Kenton, Ohio 43326-2385.

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

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

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

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

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

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

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

NOTE 16 – INSURANCE POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan – The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating-Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. Financial information can be obtained from Steve Huzizko, Deputy Director of Management Services, at 8050 North High Street, Columbus, Ohio 43235.

The intent of the Program is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Program. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Program.

Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Program. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund".

This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the program. Participation in the Program is limited to school districts that can meet the Program's selection criteria. The firm of Gates, McDonald & Company provides administrative, cost control and actuarial services to the Program.

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

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 17 – RELATED ORGANIZATION

St. Paris Public Library – The St. Paris Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Graham Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District serves as the taxing authority and the School District issued tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the St. Paris Public Library, Diane Kremer, Clerk/Treasurer, P.O. Box 740, St. Paris, Ohio 43072.

NOTE 18 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 19 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

	Textbooks	Capital Acquisition
Set-aside Cash Balance, As of June 30, 2007	\$ 37,590	(13,827,774)
Current Year Set-aside Requirement	328,561	328,561
Current Year Offsets	-	(239,594)
Qualifying Disbursements	(418,445)	(1,238,976)
Total	(52,294)	(14,977,783)
Balance Carried Forward to FY 2009	\$ <u>(52,294)</u>	(14,977,783)

NOTE 20 – CONTRACT COMMITMENTS

At June 30, 2008, the District had a contract commitment to Buehrer Group for \$2,000 as a result of the District's construction of a new elementary school.

NOTE 21 – EARLY RETIREMENT INCENTIVE

During fiscal year 2007, the Board approved an early retirement incentive program. Upon eligibility for STRS/SERS retirement benefits, the Board agreed to pay out an additional fifteen days of leave, provided the employee retired by May 31 and notified the Board in writing by March 30 of the year they became eligible. This incentive will be effective through fiscal year 2008. During fiscal year 2008, two employees chose to receive the early retirement incentive. The liability for these employees is included in the compensated absences liability in the General Fund.

NOTE 22 – CHANGE IN ACCOUNTING ESTIMATE

Effective for fiscal year 2008, the School District changed its capitalization threshold from \$1,000 to \$3,000 and changed to the half-year convention depreciation method. As a result of these changes, the beginning net assets for the governmental activities were restated to \$12,392,330 from the \$13,010,000 previously reported. The \$617,670 reduction in the governmental activities net assets was comprised of \$941,782 reduction in the historical cost of general capital assets resulting from the implementation of the new capitalization threshold and \$324,110 reduction in accumulated depreciation due to the change in depreciation method.

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

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 23 – CHANGE IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2008, the School District has implemented GASB Statements No. 45, “Accounting and Financial Reporting for Post Employment Benefits Other Than Pensions”, No. 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues”, and No. 50, “Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27”.

GASB Statement No. 45 establishes the reporting disclosure requirements for governments related to benefits offered to employments after employment ends other than pensions. For the School District, the changes contained within this Statement only affected the required disclosures related to the health care benefits offered to retirees through the multi-employer, cost-sharing state retirement systems. These disclosures are contained in Note 11 to the basic financial statements.

GASB Statement No. 48 establishes criteria that governments will use to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings. The statement also includes disclosure requirements for future revenues that are pledged or sold. This statement had no effect on the School District financial statements for fiscal year 2008.

GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other post-employment benefits (OPEB) and, in doing so, enhances information disclosed in notes to the financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. This statement had no effect of the School District financial statements for fiscal year 2008.

NOTE 24 – INTERFUND ASSETS/LIABILITIES AND TRANSFERS

Interfund transactions at June 30, 2008, consisted of the following interfund receivables, interfund payables, transfers in and transfers out:

		<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$	120,000	-	-	62,146
Other Governmental Funds		-	120,000	62,146	-
	\$	<u>120,000</u>	<u>120,000</u>	<u>62,146</u>	<u>62,146</u>

Interfund balances/transfers are used to move revenues from the fund that statute or budget requires to collect then to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed.

GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 4,103,439	4,348,241	3,984,932	(363,309)
Intergovernmental	11,712,716	12,411,470	11,374,455	(1,037,015)
Interest	188,781	200,043	183,329	(16,714)
Tuition and Fees	707,031	749,211	686,612	(62,599)
Miscellaneous	322,168	341,388	312,864	(28,524)
<i>Total Revenues</i>	<u>17,034,135</u>	<u>18,050,353</u>	<u>16,542,192</u>	<u>(1,508,161)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	6,618,036	6,876,160	6,868,748	7,412
Special	1,309,100	1,386,453	1,355,656	30,797
Vocational	-	-	155	(155)
Other	1,148,349	1,380,234	1,316,781	(63,453)
Support Services:				
Pupils	564,340	814,157	782,662	31,495
Instructional Staff	1,062,199	1,165,328	1,243,621	(78,293)
Board of Education	68,956	117,474	115,033	2,441
Administration	1,320,725	1,357,015	1,296,306	60,709
Fiscal	395,169	425,956	418,232	7,724
Business	363,265	168,915	134,695	34,220
Operation and Maintenance of Plant	1,286,880	1,467,893	1,332,790	135,103
Pupil Transportation	1,249,349	1,372,799	1,395,437	(22,638)
Central	96,371	117,450	111,860	5,590
Extracurricular Activities				
Academic Oriented Activities	21,076.00	22,985	22,429	556
Sports Oriented	283,962.00	320,872	287,363	33,509
Co-Curricular Activities	10,507.00	11,228	11,255	(27)
Debt Service:				
Principal	20,000	21,000	21,000	-
Interest	15,000	14,200	14,166	34
Dues/Fees	500	400	377	23
<i>Total Expenditures</i>	<u>15,833,784</u>	<u>17,040,519</u>	<u>16,728,566</u>	<u>185,047</u>
Excess of Revenues Over (Under) Expenditures	<u>1,200,351</u>	<u>1,009,834</u>	<u>(186,374)</u>	<u>(1,323,114)</u>
<u>Other Financing Sources (Uses):</u>				
Advances In	-	150,000	-	(150,000)
Advances Out	-	-	(120,000)	(120,000)
Operating Transfers In	5,000	62,146	9,431	(52,715)
Operating Transfers Out	-	-	(71,577)	(71,577)
<i>Total Other Financing Sources (Uses)</i>	<u>5,000</u>	<u>212,146</u>	<u>(182,146)</u>	<u>(394,292)</u>
Net Change in Fund Balance	1,205,351	1,221,980	(368,520)	(1,717,406)
Fund Balance, Beginning of Year	1,613,620	1,613,620	1,613,620	-
Prior Year Encumbrances Appropriated	104,362	104,362	104,362	-
Fund Balance, End of Year	\$ <u>2,923,333</u>	<u>2,939,962</u>	<u>1,349,462</u>	<u>(1,717,406)</u>

See accompanying notes to the required supplementary information.

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

Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2008

Basis of Budgeting

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

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

General Budget Policies

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

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

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

Prior to January 15, the Superintendent and Treasurer submit, to the Board of Education, a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the Champaign County Budget Commission for rate determination.

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate of estimated resources issued during fiscal year 2008.

GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO

Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2008

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

The Board may pass supplemental fund appropriations as long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriation resolutions were legally enacted.

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

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

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

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) – General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

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

GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY, OHIO
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2008

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

	General Fund
	<u> </u>
GAAP Basis	\$ 960,037
Revenue Accruals	(990,059)
Expenditure Accruals	101,762
Advances	(120,000)
Encumbrances	<u>(320,260)</u>
Budget (Non-GAAP) Basis	\$ <u>(368,520)</u>

GRAHAM LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Federal Agency/ Pass Through Agency/ Program Title	Federal CFDA Number	Pass Through Number	Receipts	Disbursements
U.S. Department of Agriculture:				
<i>Passed through Ohio Department of Education:</i>				
Food Donations (1)	10.550	N/A	\$ 47,952	\$ 47,952
National School Lunch Program	10.555	LL-P4-2008	<u>195,652</u>	<u>195,652</u>
Total US Department of Agriculture			<u>243,604</u>	<u>243,604</u>
U.S. Department of Education:				
<i>Passed through Ohio Department of Education:</i>				
Title I Grants to Local Education Agencies	84.010	C1-S1	124,495	153,899
Special Education Cluster:				
Special Education Grants to States	84.027	6B-SF	382,449	472,392
Special Education Preschool Grant	84.173	PG-S1	<u>12,309</u>	<u>14,399</u>
Total Special Education Cluster			394,758	486,791
Safe and Drug Free Schools and Communities	84.186	DR-S1	632	1,809
State Grants for Innovative Programs	84.298	C2-S1	3,037	4,894
Education Technology State Grants	84.318	TJ-S1	1,909	1,910
Improving Teacher Quality State Grants	84.367	TR-S1	<u>54,511</u>	<u>67,131</u>
Total U.S. Department of Education			<u>579,342</u>	<u>716,434</u>
Total Federal Assistance			<u>\$ 822,946</u>	<u>\$ 960,038</u>

(1) - Estimated cash value of food commodities received and used.

See accompanying notes to the Schedule of Expenditures of Federal Awards

GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAING COUNTY, OHIO
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

1. SIGNIFICANT ACCOUNTING POLICES

The accompanying schedule of expenditures of federal awards is a summary activity of all federal awards programs of the Graham Local School District. The schedule has been prepared on the cash basis of accounting.

2. U.S. DEPARTMENT OF AGRICULTURE PROGRAMS

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported on the schedule of expenditures of federal awards at the 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, 2008, the District had no significant food commodities in inventory.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Education
Graham Local School District
370 E Main Street
St. Paris, Ohio 43072

We have audited the financial statements of the governmental activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of the Graham Local School District (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 8, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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

2525 north limestone street, ste. 103
springfield, oh 45503

www.cshco.com
p. 937.399.2000
f. 937.399.5433

Compliance and Other Matters

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 grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District, in a separate letter dated December 8, 2008.

This report is intended solely for the information and use of management, the finance committee, Board of Education, 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.



Springfield, Ohio
December 8, 2008

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

Board of Education
Graham Local School District
370 E Main Street
St. Paris, Ohio 43072

Compliance

We have audited the compliance of the Graham Local School District (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 each of its major federal programs for the year ended June 30, 2008. The District's major federal programs are 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 each of its major federal programs 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 auditing standards generally accepted in the United States of America; 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. 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 each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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springfield, oh 45503

www.cshco.com
p. 937.399.2000
f. 937.399.5433

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of management, the finance committee, Board of Education, 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.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 8, 2008

**Graham Local School District
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2008**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Noncompliance material to financial statements noted?	None noted

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Type of auditors’ report issued on compliance for major programs:	Unqualified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	None noted
Identification of major programs:	
<i>Special Education Cluster:</i>	
CFDA 84.027 – Title VI(B) Grant	
CFDA 84.173 – Preschool Disabilities Grant	
Dollar threshold to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None noted

Section III – Federal Awards Findings and Questioned Costs

None noted

Section IV – Summary of Prior Audit Findings and Questioned Costs

Finding 2007-001 – Audit adjustments were required to present financial statements in accordance with GAAP in the prior year. This finding was fully corrected in the current year.



Mary Taylor, CPA
Auditor of State

GRAHAM LOCAL SCHOOL DISTRICT

CHAMPAIGN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 24, 2008**