



Dave Yost • Auditor of State

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of Graham Local School District, Champaign County, (the District) as of and for the fiscal year ended June 30, 2011. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code Section 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes have been prepared on an accounting basis not in accordance with these generally accepted accounting principles. The accompanying financial statements and notes omit entity wide statements, and assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, because of the departure from generally accepted accounting principles described in the preceding paragraph, the accompanying financial statements do not present fairly the financial position and results of operations of the Graham Local School District as of and for the year ended June 30, 2011 in accordance with accounting principles generally accepted in the United States of America.

During 2011, the District changed its financial statement presentation method to a regulatory cash basis presentation.

The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the District's financial statements taken as a whole. The Schedule of Federal Awards Receipts and Expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the financial statements. The Schedule of Federal Awards Receipts and Expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. For reasons stated in the third paragraph, the financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District, as of June 30, 2011, or its changes in financial position for the year then ended. Therefore we are unable to express, and we do not express, an opinion on the Schedule of Federal Awards Receipts and Expenditures.



Dave Yost
Auditor of State

February 9, 2012

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property tax and other local taxes	\$3,737,650	\$74,781	\$970,837	\$205,003	\$4,988,271
Intergovernmental	11,104,490	2,826,707	245,073	288,337	14,464,607
Tuition	792,392				792,392
Earnings on investments	8,248	2,078		4,630	14,956
Extracurricular Activities		393,605			393,605
Classroom Materials and Fees	67,380				67,380
Charges for Services		436,026			436,026
Miscellaneous	219,152	8,877		14,847	242,876
Total Cash Receipts	<u>15,929,312</u>	<u>3,742,074</u>	<u>1,215,910</u>	<u>512,817</u>	<u>21,400,113</u>
Cash Disbursements:					
Instruction:					
Regular	6,316,593	781,663			7,098,256
Special	1,625,118	486,674			2,111,792
Vocational Education	3,845				3,845
Other Instruction	1,594,389	92,963			1,687,352
Supporting Services:					
Pupils	554,934	508,758			1,063,692
Instructional Staff	794,007	147,100			941,107
Board of Education	37,629				37,629
Administration	1,106,677	295,604			1,402,281
Fiscal Services	342,690	2,446	31,663	6,850	383,649
Operation and Maintenance of Plant	1,504,567	84,865		4,541	1,593,973
Pupil Transportation	1,295,578	180,680		21,192	1,497,450
Central	206,883	5,000			211,883
Non-Instructional Services		793,065			793,065
Extracurricular Activities	296,895	216,937			513,832
Facilities Acquisition and Construction				4,482,625	4,482,625
Debt Service:					
Principal Retirement	23,000		470,000	113,000	606,000
Interest and Fiscal Charges	11,830		781,104	13,276	806,210
Total Cash Disbursements	<u>15,714,635</u>	<u>3,595,755</u>	<u>1,282,767</u>	<u>4,641,484</u>	<u>25,234,641</u>
Total Cash Receipts Over/(Under) Cash Disbursements	214,677	146,319	(66,857)	(4,128,667)	(3,834,528)
Other Financing Receipts/Disbursements:					
Transfers-In	3,021	96,574			99,595
Transfers-Out		(41,495)		(55,000)	(96,495)
Total Other Financing Receipts/(Disbursements)	<u>3,021</u>	<u>55,079</u>		<u>(55,000)</u>	<u>3,100</u>
Excess of Cash Receipts and other Financing Receipts Over/ (Under) Cash Disbursements and Other Financing Disbursements	217,698	201,398	(66,857)	(4,183,667)	(3,831,428)
Restated Fund Cash Balances, July 1	<u>347,670</u>	<u>1,050,367</u>	<u>1,070,772</u>	<u>6,517,951</u>	<u>8,986,760</u>
Fund Cash Balances, June 30	<u>\$565,368</u>	<u>\$1,251,765</u>	<u>\$1,003,915</u>	<u>\$2,334,284</u>	<u>\$5,155,332</u>
Reserves for Encumbrances, June 30	<u>\$30,489</u>	<u>\$20,845</u>	<u>\$0</u>	<u>\$698,774</u>	<u>\$750,108</u>

The notes to the financial statements are an integral part of this statement

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**STATEMENT OF CHANGES
IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Scholarship Private Purpose Trust Funds</u>	<u>Agency Funds</u>	<u>Totals (Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services		\$645,599	\$645,599
Extracurricular Activities		36,326	36,326
Total Operating Cash Receipts		681,925	681,925
Operating Cash Disbursements:			
Personal Services		479,670	479,670
Employees Retirement and Insurance		133,068	133,068
Purchased Services		70	70
Other Operating Expenses	\$2,000	42,487	44,487
Total Operating Cash Disbursements	2,000	655,295	657,295
Operating Income/(Loss)	(2,000)	26,630	24,630
Non-Operating Cash Receipts:			
Earnings on Investments	1,206		1,206
Total Non-Operating Cash Receipts	1,206		1,206
Excess of Disbursements Over/(Under) Receipts Before Interfund Transfers	(794)	26,630	25,836
Transfers-In		49	49
Transfers-Out		(3,149)	(3,149)
Net Cash Disbursements Over/(Under) Cash Receipt	(794)	23,530	22,736
Restated Fund Cash Balances, July 1	121,122	13,106	134,228
Fund Cash Balances, June 30	\$120,328	\$36,636	\$156,964
Reserve for Encumbrances, June 30	\$0	\$4,926	\$4,926

The notes to the financial statements are an integral part of this statement

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

1. DESCRIPTION OF THE SCHOOL DISTRICT

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 99 classified employees, 140 certified teaching personnel, and 13 administrative employees who provide services to 2,200 students and other community members. The School District currently operates 3 instructional buildings and an administration building.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the District chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

A. The Reporting Entity

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 units, Graham Digital Academy and A.B. Graham Academy, are reported separately to emphasize that they are legally separate from the School District.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Graham Digital Academy: Graham Digital Academy (Academy) is a legally separate not-for-profit organization served by an appointed seven-member Board of Directors (Board). The Academy was approved for operation under contract with the School District for a period of five years commencing July 1, 2007. The School District is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The Board consists of five voting members who are not employed by the School District and two nonvoting 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.

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

The Academies each issue a publicly available, stand-alone financial report that includes financial statements and supplementary information. These reports may be obtained by writing to the Administrative Offices, 370 East Main Street, St. Paris, Ohio 43072 or by calling (937) 663-4123.

The School District is associated with four jointly governed organizations, an insurance purchasing pool and a related organization. These organizations are presented in Notes 13, 14 and 15 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

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

Insurance Purchasing Pool:

- Ohio School Boards Association Workers' Compensation Group Rating Plan

Related Organization:

- St. Paris Public Library

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

The District uses fund accounting to segregate cash and investments which are restricted to use. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

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

1. Governmental Fund Types

Governmental funds are those through which most governmental functions of the District are financed. The following are the District's governmental fund types:

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

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

Debt Service Fund – This fund is used for the accumulation of resources for, and the payment of, general obligation long-term debt principal and interest.

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

2. Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District's fiduciary funds include agency and trust funds.

C. Basis of Accounting

The District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and the appropriations resolution, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level for all funds with the exception of the General Fund which is at the fund, object code. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources.

E. Cash and Investments

To improve cash management, cash received by the District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is included in the cash balances reported by fund type.

F. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's cash basis of accounting.

H. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

I. Long-Term Obligations

The District's cash basis does not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor capital outlay expenditure is reported at inception.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating receipts/cash disbursements in fiduciary funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

K. Total Columns on Financial Statements

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

3. COMPLIANCE

Ohio Administrative Code, §117-2-03 (B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a regulatory basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

4. DEPOSITS AND INVESTMENTS

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

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

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

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

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

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2011, \$4,768,683 of the District's bank balance of \$5,546,728 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

B. Investments

As of June 30, 2011, the district had no investments other than CD's.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR
(Continued)**

5. BUDGETARY ACTIVITY

Budgetary activity for the year ending June 30, 2011:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$16,549,583	\$15,932,333	(\$ 617,250)
Special Revenue	3,851,102	3,838,648	(12,454)
Debt Service	1,139,503	1,215,910	76,407
Capital Projects	1,255,800	512,817	(742,983)
Private-Purpose Trust	3,800	1,206	(2,594)
Total	\$22,799,788	\$21,500,914	(\$1,298,874)
2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$16,282,795	\$15,745,124	\$ 537,671
Special Revenue	4,172,855	3,658,095	514,760
Debt Service	2,210,000	1,282,767	927,233
Capital Projects	6,423,170	5,395,258	1,027,912
Private-Purpose Trust	8,000	2,000	6,000
Total	\$29,096,820	\$26,083,244	\$3,013,576

Contrary to Ohio law, appropriations exceeded actual resources for the IDEA Part B Fund by \$101,754 and for the Title I Fund 572 by \$39.

6. PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the District. Real property tax receipts received in calendar years 2011 and 2010 represent the collection of calendar years 2010 and 2009 taxes. Real property taxes received in calendar years 2011 and 2010 were levied after April 1, 2010 and 2009, on the assessed values as of January 1, 2010 and 2009, respectively, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in calendar years 2011 and 2010 represent the collection of calendar years 2010 and 2009 taxes, respectively. Public utility real and tangible personal property taxes received in calendar years 2011 and 2010 became a lien on December 31, 2009 and 2008, respectively, were levied after April 1, 2010 and 2009, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR
(Continued)**

6. PROPERTY TAXES (Continued)

Tangible personal property tax receipts received in calendar years 2011 and 2010 (other than public utility property) represent the collection of calendar years 2011 and 2010 taxes, respectively. Tangible personal property taxes received in calendar years 2011 and 2010 were levied after April 1, 2010 and 2009, respectively, on the value as of December 31, 2010 and 2009, respectively. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Champaign and Shelby Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2011 and 2010 are available to finance fiscal years 2011 and 2010 operations, respectively. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2011 taxes were collected are:

	2010 Second- Half Collections		2011 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Agricultural/Residential	\$203,119,870	88.65%	\$210,042,470	88.77%
Industrial/Commercial	20,135,120	8.79%	20,583,450	8.70%
Public Utility Real Land	82,350	0.04%	82,350	0.03%
Public Utility Property	5,790,900	2.52%	5,907,400	2.50%
Total Assessed Value	<u>\$229,128,240</u>	<u>100.00%</u>	<u>\$236,615,670</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$34.35		\$34.35	

7. 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 2011, the School District contracted with the Southwestern Ohio Educational Purchasing Council for property and fleet insurance, liability insurance, crime, terrorism and automobile coverage.

Property, including building, contents, extra expense, business interruption, mobile equipment, valuable papers, fine art, accounts receivable, EDP, inland marine, and auto physical damage.	\$350,000,000
Crime and employee dishonesty (each and every loss)	500,000

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR
(Continued)**

7. RISK MANAGEMENT (Continued)

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
Excess Liability (umbrella) (Per occurrence and aggregate limit)	5,000,000
Pollution Legal Liability (Per occurrence limit)	1,000,000

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 2011, 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 Comp Management, Inc. provides administrative, cost control, and actuarial services to the GRP.

8. 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 Employer/Auditor Resources.

Funding Policy – Plan members are required to contribute 10 percent 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 percent 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 retirement board acting with advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust, Death Benefit, Medicare B, and Health Care fund of the System). For fiscal year ending June 30, 2011, the allocation of pension and death benefits was 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate was allocated to the Health Care and Medicare B funds.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$271,061, \$372,156, and \$315,068, respectively; 79.19 percent has been contributed for fiscal year 2011 and 100 percent for 2010 and 2009.

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.

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

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009, were \$1,161,390, \$1,159,848, and \$1,096,544; 83.27 percent has been contributed for fiscal year 2011 and 100 percent for 2010 and 2009. Contributions to the DCP and the CP plans for fiscal year 2011 were \$18,731 made by the School District and \$13,379 made by plan members.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

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, 2011, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

9. 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 *Employer/Auditor Resources*.

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 105(e). For 2011, 1.43 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 2011, this amount was \$36,339.

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

The amount of the School District's contributions to SERS allocated to the Health Care Plan for the years ended June 30, 2011, 2010, and 2009 were \$32,868, \$12,228, and \$128,643, respectively; 79.19 percent has been contributed for all years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll.

The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$17,468, \$20,203, and \$16,879, respectively; 79.19 percent has been contributed for all years.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR
(Continued)**

9. POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan and a combined plan which is a hybrid of the defined benefit and defined contribution plan. Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting www.strsoh.org 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 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the years ended June 30, 2011, 2010 and 2009 were \$82,956, \$82,847, and \$78,325, respectively; 83.27 percent has been contributed for all years.

10. DEBT

The changes in the District's long-term obligations during fiscal year 2011 were as follows:

	Amount Outstanding 6/30/2010	Decrease	Amount Outstanding 6/30/2011	Amount Due Within One Year
General Obligation Bonds				
Serial and Term Bonds – 1998	\$ 380,000	\$380,000		
Capital Appreciation Bonds	235,000		\$ 235,000	
Serial and Term Bonds – 2005	16,720,000	90,000	16,630,000	\$290,812
Capital Appreciation Bonds	315,000		315,000	
Capital Lease Debt	632,000	136,000	496,000	141,000
Total	<u>\$18,282,000</u>	<u>\$606,000</u>	<u>\$17,676,000</u>	<u>\$431,812</u>

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.

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.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR
(Continued)**

10. DEBT (Continued)

Debt Schedule for General Obligation Bond:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 290,812	\$ 1,049,573	\$ 1,340,385
2013	314,188	1,049,415	1,363,603
2014	625,000	745,525	1,370,525
2015	565,000	919,806	1,484,806
2016	535,000	974,106	1,509,106
2017-2021	5,000,000	2,979,341	7,979,341
2022-2026	3,085,000	2,062,256	5,147,256
2027-2031	3,915,000	1,219,738	5,134,738
2032-2034	2,300,000	218,250	2,518,250
	<u>\$16,630,000</u>	<u>\$11,218,010</u>	<u>\$27,848,010</u>

Debt Schedule for Capital Appreciation Bonds:

<u>Fiscal Year</u>	<u>Principal</u>
2012	\$120,882
2013	114,118
2014	115,000
2015	200,000
Total	<u>\$550,000</u>

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The total district assessed valuation of the FY11 fiscal year was \$236,615,670 as shown at the end of Note 6. The voted debt margin was \$4,612,401 and the un-voted debt margin was \$230,983.

Capital Lease Schedule:

<u>Fiscal Year</u>	<u>Principal</u>
2012	\$141,000
2013	148,000
2014	26,000
2015	27,000
2016	28,000
2017-2020	126,000
Total	<u>\$496,000</u>

11. SET ASIDE REQUIREMENTS

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

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR
(Continued)**

11. SET ASIDE REQUIREMENTS (Continued)

The following cash basis information identifies the changes in the fund balance reserves for textbooks, and capital improvements during fiscal year 2011.

	Textbooks	Capital Improvements
Balance June 30, 2010	(\$2,139,662)	(\$12,525,617)
Current Year Set Aside Requirement	312,343	312,343
Current Year Offsets		(205,003)
Qualifying Cash Disbursements	(224,528)	
Set Aside Reserve Balance June 30, 2011	(\$2,051,847)	(\$12,418,277)

12. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2011.

B. Litigation

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

13. 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, and Champaign Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member Districts. This organization is governed by a board of directors consisting of 14 members: the superintendent of the fiscal agent Shelby County Educational Service Center, two superintendents from each county that is represented, one treasurer representative from the school districts, student services representative from the school districts, and a non-voting independent district representative. The degree of control exercised by any participating school district is limited to its representation on the board. Financial information can be obtained from Donn Walls, who serves as director, at 129 East Court Street, Sidney, Ohio 45365.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR
(Continued)**

13. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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.

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.

14. 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 Van D. Keating, 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.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR
(Continued)**

14. INSURANCE POOL (Continued)

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 Comp Management, Inc. provides administrative, cost control and actuarial services to the Program.

15. 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.

16. INTERFUND ASSETS/LIABILITIES AND TRANSFERS

Interfund transactions at June 30, 2011, consisted of transfers in and transfers out:

	Transfers In	Transfers Out
Permanent Improvement Fund		\$55,000
OSFC Maintenance Fund	\$55,000	
Principal's Activity Fund	3,149	3,070
Student Activity Fund	49	3,149
General Fund	3,021	
Federal Funds	38,425	38,425
	\$99,644	\$99,644

During fiscal year 2011, the School District transferred \$55,000 from the Permanent Improvement fund to the Classroom Facilities Maintenance Fund to meet the requirements of the Ohio School Facilities Commission (OSFC) for the 0.5 mill tax levy for facilities maintenance per Board Resolution 10-145. The OSFC and the Auditor of State approved an alternative funding arrangement for the potential "shortfall" when the current 0.5 mill tax levy expires in 2019 (last collected in FY2020). The School District must make annual deposits through 2020 in the event that the 0.5 tax levy for building maintenance is not renewed by voters in 2019 since the useful life of the new building extends through 2031, or 23 years from the project agreement date of 2008.

Other transfers included transfers between the Principal's Activity Fund and the Student Activity Fund to close student activity funds that were no longer active due to graduating classes and from a transfer from the Middle School Principal's Fund to cover an expenditure that was inadvertently taken from the General Fund Fee Account. The federal funds Title I and VI-B transferred funds from one fiscal year to the next after the close of the previous year's account with ODE.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR
(Continued)**

17. CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY

A. Change in Basis of Accounting

For fiscal year 2011, the School District ceased to report using generally accepted accounting principles and reported on the cash basis as described in Note 2C.

B. Restatement of Fund Equity

The implementation of this change had the following effects on fund equity of the major and non-major funds of the School District as they were previously reported. The effects on net assets of governmental activities are also presented.

	<u>General</u>	<u>Bond Retirement</u>	<u>Capital Improvement</u>	<u>Other Governmental</u>	<u>Private Purpose Trust</u>	<u>Agency</u>
Fund Balance 6-30-2010	(\$ 45,052)	\$1,479,044	\$5,590,468	\$ 762,213	\$176,410	
Eliminate Asset Accruals	(4,697,676)	(1,206,294)	(620,054)	(100,916)	(60,000)	
Eliminate Inventory				(11,843)		
Eliminate Liability Accruals	5,059,909	798,022	1,547,537	401,324	2,000	\$45,896
Reclassification of funds	30,489			(411)	2,712	(32,790)
Adjusted Fund Balance 7-1-2010	<u>\$ 347,670</u>	<u>\$1,070,772</u>	<u>\$6,517,951</u>	<u>\$1,050,367</u>	<u>\$121,122</u>	<u>\$13,106</u>

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**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE					
(Passed through Ohio Department of Education)					
Child Nutrition Cluster:					
School Breakfast Program	10.553	\$65,327		\$65,327	
National School Lunch Program	10.555	337,361	\$40,915	337,361	\$34,574
Total Child Nutrition Cluster		<u>402,688</u>	<u>40,915</u>	<u>402,688</u>	<u>34,574</u>
Total U.S. Department of Agriculture		402,688	40,915	402,688	34,574
U.S. DEPARTMENT OF EDUCATION					
(Passed through Ohio Department of Education)					
Title I, Grants to Local Educational Agencies	84.010	168,577		178,615	
ARRA Title I, Grants to Local Educational Agencies - Recovery Act	84.389	32,944		24,905	
Total Title I		<u>201,521</u>		<u>203,520</u>	
Special Education Cluster:					
Special Education Grants to States	84.027	428,776		447,582	
Special Education Preschool Grants	84.173	14,752		14,752	
ARRA Special Education Grants to States - Recovery Act	84.391	246,005		226,866	
ARRA Special Education Preschool Grants - Recovery Act	84.392	1,612		2,327	
Total Special Education Cluster		<u>691,145</u>		<u>691,527</u>	
Safe and Drug-Free Schools and Communities State Grants	84.186	3,309		3,846	
Education Technology State Grants	84.318	2,704		2,926	
Improving Teacher Quality State Grants	84.367	58,539		58,719	
ARRA State Fiscal Stabilization Fund (SFSF) - Education State Grants	84.394	863,262		756,108	
Education Jobs Fund	84.410	557,940		552,530	
Total U.S. Department of Education		<u>2,378,420</u>		<u>2,269,176</u>	
Total Federal Assistance		<u>\$2,781,108</u>	<u>\$40,915</u>	<u>\$2,671,864</u>	<u>\$34,574</u>

See accompanying notes to the schedule of federal awards receipts and expenditures.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D – TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2010 to 2011 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred From 2010 to 2011</u>
Title I Grants to Local Educational Agencies	84.010	\$9,618
ARRA Title I Grants to Local Educational Agencies	84.389	3,001
ARRA Special Education – Grants to States	84.391	25,806



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the Graham Local School District (the School District) as of and for the year ended June 30, 2011, and have issued our report thereon dated February 9, 2012, wherein we issued an adverse opinion and noted the School District prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the School District changed its financial statement presentation method during 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-02 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-01 and 2011-03

We also noted certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated February 9, 2012.

The School District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the School District's responses and, accordingly, we express no opinion on them.

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



Dave Yost
Auditor of State

February 9, 2012



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Graham Local School District (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Graham Local School District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with these requirements.

As described in finding 2011-04 in the accompanying schedule of findings, the School District did not comply with requirements regarding cash management applicable to its (CFDA 84.394) ARRA State Fiscal Stabilization Fund (SFSF) and (CFDA 84.391) Special Education to State Grants, Recovery Act major federal programs. Compliance with this requirement is necessary, in our opinion, for the School District to comply with requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Graham Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2011-04 to be a material weakness.

The School District's response to the finding we identified is described in the accompanying schedule of findings. We did not audit the School District's response and, accordingly, we express no opinion on it.

We also noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the School District's management in a separate letter dated February 9, 2012.

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



Dave Yost
Auditor of State

February 9, 2012

GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Adverse
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Qualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	<p><i>Special Education Cluster</i> Special Education Grants to States – CFDA 84.027 Special Education Preschool Grants – CFDA 84.173 ARRA Special Education Grants to States – Recovery Act – CFDA 84.391 ARRA Special Education Preschool Grants – Recovery Act – CFDA 84.392</p> <p><i>ARRA State Fiscal Stabilization Fund (SFSF) Education State Grants – Recovery Act – CFDA 84.394</i></p> <p><i>Title I Cluster</i> Title I Grants to Local Educational Agencies – CFDA 84.010 ARRA Title I Grants to Local Educational Agencies – Recovery Act – CFDA 84.389</p> <p><i>Education Jobs Fund – CFDA 84.410</i></p>

**1. SUMMARY OF AUDITOR'S RESULTS
 (Continued)**

(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2011-01

GAAP Reporting

MATERIAL NONCOMPLIANCE

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Adm. Code Section 117-2-03(B) requires the School District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2011, the School District prepared financial statements that report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

To help provide the users with more meaningful financial statements, the School District should prepare their annual financial statements according to generally accepted accounting principles.

Official's Response:

The Board of Education and management of the District are knowledgeable concerning the required reporting format (GASB 34 / Generally Accepted Accounting Principles) and the similarities and differences from the required reporting format and the method currently incorporated by the District (Cash Basis of Accounting). District personnel considered the cost-benefit of the two reporting formats and determined reporting on the Cash Basis of Accounting format to be the more fiscally responsible format at this time.

FINDING NUMBER 2011-02

Material Weakness – Report Presentation of Activity

The District's fiscal year 2011 cash basis financial report had the following numerous errors:

- The Special Revenue Fund had the refund of prior year receipts overstated by \$5,810 and miscellaneous revenue was overstated by \$441,842. This Fund did not present charges for service line item, which amounted to \$447,652.
- The Private Purpose Trust Fund was incorrectly presented as Enterprise Fund on the financial statement. The beginning fund balance was incorrectly presented.
- The School District is currently involved in an Ohio School Facilities construction project that requires the establishment of escrow bank accounts. The June 30, 2011 book balance was understated \$273,045, the amount of the escrow account balances at fiscal year end.

Errors in the financial statements and accounting records inhibit the ability of the Treasurer and the Board of Education to properly monitor financial activity and to make sound financial decisions regarding the operations of the District. Reliance on financial information that contains errors could result in noncompliance with level of effort/maintenance of effort applicable to the federal grant compliance requirements.

To help provide meaningful information to the users of the District's financial statements and accounting records, controls and recording procedures should be in place to help prevent and detect errors. The Treasurer should review the Uniform School Accounting System User Manual, Auditor of State Bulletins, specific grant requirements, and other resources for guidance in correctly classifying receipts and expenditures.

The District should implement policies and procedures to review the draft financial report. Proper review of the draft financial report will help assure accurate reporting and presentation.

The adjustments noted above were made in the financial statements.

Official's Response:

The errors of this finding are referring to the placement of revenue and expenditures into an area of the auditor's preferred formatted table rather than into another section of the table. No revenue or expenditure in the District's accounting procedures for day to day operations has been misrepresented or misapplied. This error refers to a reporting table for the financial statement only.

The Board of Education and management of the District go over in detail reports of revenue, expenditures, appropriations and budget of the District every month. These errors in no way inhibit the District from making sure that all funds are accounted for and appropriately managed.

The escrow accounts were accounted for in the same method that was used in two previous building projects and there was never any mention from the auditor's office of a problem. Since we are all public employees, it would make more sense for the auditor's office provide districts guidance in specific situations that are only faced by districts in very rare instances.

Auditor of State's Analysis:

Bank accounts in the school district's name and the corresponding balances were not reflected on the District's financial statements.

Placement (recording) of revenue and expenditures should be posted in accordance with USAS (Uniform System of Accounting for Schools) which is required by Ohio Administrative Code 117-06-01(B). The adjustments above were required to comply with USAS standards.

FINDING NUMBER 2011-03

Material Noncompliance

Ohio Revised Code Section 5705.36(A)(4) requires that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

The following District fund had actual receipts less than the amount anticipated and should have requested a reduced amended certificate:

	<u>7/1/10 Unencumbered Balance</u>	<u>Actual Revenue</u>	<u>Total Available Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Title I Fund 572	\$2,994	\$214,141	\$217,135	\$318,889	(\$101,754)

To help prevent the potential for deficit spending, the Treasurer and Board of Education should periodically compare estimated resources to actual resources to help identify which funds may not achieve estimated resource levels. The current level of appropriation should then be compared to actual resources to determine if an amended certificate of estimated resources should be obtained along with reducing appropriations.

Official's Response:

While the Certificate of Available Resources could have been reduced, there was never potential of deficit spending due to the fact that the district reports cash availability every month to the board and sends requests for cash advances to the state to meet those needs. If cash was not available from the grant when the monthly request was made, the expenditures would not have been made.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Material Noncompliance/Material Weakness – Cash Management

Finding Number	2011-04
CFDA Title and Number	ARRA State Fiscal Stabilization Fund (SFSF) Education State Grants – Recovery Act – CFDA 84.394 Special Education Cluster ARRA Special Education Grants to States – Recovery Act – CFDA 84.391
Federal Award Number/Year	2010/2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

34 CFR 80.20 (b)(7) requires that when advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make draw downs as close as possible to the time of making disbursements.

**FINDING NUMBER 2011-04
(Continued)**

The District received advance payments of ARRA State Fiscal Stabilization Funds (SFSF) from the Ohio Department of Education (ODE) via the State Foundation Settlement Sheet. During the fiscal year, the District accumulated a positive cash balance in the SFSF Fund due to the District not spending the cash received in a timely manner as follows:

<u>Date</u>	<u>SFSF Balance</u>
10/28/10	\$20,946
11/16/10	33,870
2/28/11	19,720
3/24/11	25,600
4/22/11	30,173

The District requested drawdown payments of Title VI-B monies (Special Education Grants to States – Recovery Act) from the Ohio Department of Education (ODE) via electronic fund transfers. During the fiscal year, the District did not expend the Title VI-B monies within thirty days of drawdown. The positive Title VI-B balances were as follows:

<u>Date</u>	<u>Title VI Balance</u>
1/31/11	\$19,001
2/28/11	12,236
3/31/11	2,927

The failure to spend federal grants in a timely manner could result in the District being required to return funding to the grantor agency. The loss of federal grant money could negatively impact the operations of the District. The District should implement procedures to help assure that the balances of federal grant funds are spent in a timely manner.

Official's Response:

In past years, the auditor's office remarked if the grants cash balance was negative, now they are commenting if it is positive. When a request was made for the amount that should be kept in a fund, there was no dollar or percentage amount given. The past year was unusual with the ARRA funding. There were even disputes to the end of the year as to what were legitimate expenditures for the ARRA funds. The District does not try to "pad" their bank accounts so as to gain some advantage. These were estimates in a new program with new requirements.

Auditor of State's Analysis:

34 CFR 80.20 (b)(7) requires grant recipients to minimize cash held on hand by scheduling drawdown requests appropriately.

**GRAHAM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 ©
JUNE 30, 2011**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2011-04	See Official's Response on page 33.		



Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Graham Local School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on 11/23/10 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

February 9, 2012

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Dave Yost • Auditor of State

GRAHAM LOCAL SCHOOL DISTRICT

CHAMPION 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
APRIL 10, 2012**