



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

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**STATE OF OHIO**



**GORHAM FAYETTE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
Combined Balance Sheet - All Fund Types and Account Groups .....	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types .....	8
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types .....	10
Combined Statement of Revenues, Expenses and Changes In Fund Equity - Proprietary and Similar Fiduciary Fund Type .....	14
Combined Statement of Cash Flows - Proprietary and Similar Fiduciary Fund Type .....	15
Notes to the General-Purpose Financial Statements .....	17
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	39
Schedule of Findings.....	41

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## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Gorham Fayette Local School District (the District) as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

As discussed in Note 21 to the general-purpose financial statements, the District changed its policy regarding fixed asset capitalization.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report December 16, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink, appearing to read "Jim Petro".

**Jim Petro**  
Auditor of State

December 16, 2002

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**GORHAM FAYETTE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
AS OF JUNE 30, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>ASSETS AND OTHER DEBITS</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$822,799	\$106,521	\$150,506	\$35,108
Receivables:				
Taxes	1,008,095		203,836	
Accounts	2,601			
Intergovernmental		4,970		
Accrued Interest	796			
Income Tax	125,543			
Materials and Supplies Inventory	6,114			
Prepaid Items	21,741			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	20,872			
Fixed Assets				
Accumulated Depreciation				
<b>Other Debits:</b>				
Amount Available in Debt Service Fund for Retirement of Long-Term Obligations				
Amount to be Provided From General Government Resources				
<b>Total Assets and Other Debits</b>	<b>\$2,008,561</b>	<b>\$111,491</b>	<b>\$354,342</b>	<b>\$35,108</b>



Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$6,920	\$34,703			\$1,156,557
				1,211,931
				2,601
				4,970
				796
				125,543
3,774				9,888
				21,741
				20,872
52,317		\$6,226,223		6,278,540
(35,605)				(35,605)
			\$150,506	150,506
			2,414,386	2,414,386
<b>\$27,406</b>	<b>\$34,703</b>	<b>\$6,226,223</b>	<b>\$2,564,892</b>	<b>\$11,362,726</b>

(Continued)

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
AS OF JUNE 30, 2002  
(Continued)**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>				
<b>Liabilities:</b>				
Accounts Payable	\$5,794	\$2,183		
Accrued Wages and Benefits	306,274	7,011		
Compensated Absences Payable	2,961			
Intergovernmental Payable	49,484	1,853		
Deferred Revenue	915,072		\$183,703	
Due to Students				
General Obligation Bonds Payable				
<b>Total Liabilities</b>	<u>1,279,585</u>	<u>11,047</u>	<u>183,703</u>	
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved:				
Reserved for Encumbrances	15,627	12,277		\$990
Reserved for Inventory	6,114			
Reserved for Prepaid Items	21,741			
Reserved for Debt Service Principal			150,506	
Reserved for Contributions				
Reserved for Property Taxes	93,023		20,133	
Reserved for Budget Stabilization	20,872			
Unreserved:				
Unreserved, Undesignated	571,599	88,167		34,118
<b>Total Fund Equity and Other Credits</b>	<u>728,976</u>	<u>100,444</u>	<u>170,639</u>	<u>35,108</u>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<u><b>\$2,008,561</b></u>	<u><b>\$111,491</b></u>	<u><b>\$354,342</b></u>	<u><b>\$35,108</b></u>

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

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
<b>Enterprise</b>	<b>Trust and Agency</b>			
				\$7,977
\$9,357				322,642
2,815			\$300,519	306,295
5,616			29,830	86,783
1,808				1,100,583
	\$19,314			19,314
			2,234,543	2,234,543
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
19,596	19,314		2,564,892	4,078,137
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
		\$6,226,223		6,226,223
2,446				2,446
5,364				5,364
				28,894
				6,114
				21,741
				150,506
	15,000			15,000
				113,156
				20,872
	389			694,273
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
7,810	15,389	6,226,223		7,284,589
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>\$27,406</b>	<b>\$34,703</b>	<b>\$6,226,223</b>	<b>\$2,564,892</b>	<b>\$11,362,726</b>

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
<b>Revenues:</b>		
Intergovernmental	\$1,941,393	\$316,102
Interest	41,111	
Tuition and Fees	17,853	
Rent	1,309	
Extracurricular Activities		65,421
Gifts and Donations	14,006	
Income Tax	351,209	
Property and Other Local Taxes	910,007	
Miscellaneous	308,826	
Total Revenues	<u>3,585,714</u>	<u>381,523</u>
<b>Expenditures:</b>		
Instruction:		
Regular	1,659,562	72,150
Special	162,969	71,655
Vocational	57,800	
Other	247,011	
Support services:		
Pupils	175,276	29,236
Instructional Staff	198,580	29,682
Board of Education	13,923	
Administration	376,204	
Fiscal	137,473	
Operation and Maintenance of Plant	324,545	
Pupil Transportation	145,940	
Central	323,963	4,167
Non-Instructional Services	1,750	132,085
Extracurricular activities	84,940	49,115
Capital Outlay	1,541	
Debt Service		
Debt Service - Principal		
Debt Service - Interest		
Total Expenditures	<u>3,911,477</u>	<u>388,090</u>
Excess of Revenues Over (Under) Expenditures	<u>(325,763)</u>	<u>(6,567)</u>
<b>Other Financing Sources and Uses</b>		
Operating Transfers In	18,230	
Proceeds from Sale of Fixed Assets	375	
Refund of Prior Year Expenditures	4,251	2,006
Other Financing Sources	323	4,000
Operating Transfers Out	(662)	(11,000)
Refund of Prior Year Receipts	(172)	
Total Other Financing Sources (Uses)	<u>22,345</u>	<u>(4,994)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(303,418)</u>	<u>(11,561)</u>
Fund Balance at Beginning of Year	1,032,394	112,005
<b>Fund Balance at End of Year</b>	<u><b>\$728,976</b></u>	<u><b>\$100,444</b></u>

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

<b>Governmental Fund Types</b>		<b>Totals (Memorandum Only)</b>
<b>Debt Service</b>	<b>Capital Projects</b>	
\$20,026	\$4,718	\$2,282,239
	149	41,260
		17,853
		1,309
		65,421
		14,006
		351,209
184,182		1,094,189
		308,826
<u>204,208</u>	<u>4,867</u>	<u>4,176,312</u>
		1,731,712
		234,624
		57,800
		247,011
		204,512
	270	228,532
		13,923
		376,204
3,800		141,273
		324,545
		145,940
		328,130
		133,835
		134,055
	1,000	2,541
70,000		70,000
<u>105,918</u>		<u>105,918</u>
<u>179,718</u>	<u>1,270</u>	<u>4,480,555</u>
<u>24,490</u>	<u>3,597</u>	<u>(304,243)</u>
		18,230
		375
		6,257
		4,323
	(7,230)	(18,892)
		(172)
	<u>(7,230)</u>	<u>10,121</u>
24,490	(3,633)	(294,122)
146,149	38,741	1,329,289
<u><b>\$170,639</b></u>	<u><b>\$35,108</b></u>	<u><b>\$1,035,167</b></u>

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2002**

	General		Variance: Favorable (Unfavorable)
	Budget	Actual	
<b>Revenues:</b>			
Intergovernmental	\$1,857,500	\$1,941,393	\$83,893
Interest	85,000	41,623	(43,377)
Tuition and Fees	30,600	17,877	(12,723)
Rent	700	1,260	560
Extracurricular Activities			
Gifts and Donations	6,000	14,006	8,006
Income Tax	360,000	352,342	(7,658)
Property and Other Local Taxes	892,000	879,058	(12,942)
Miscellaneous	294,491	308,825	14,334
<b>Total Revenues</b>	<b>3,526,291</b>	<b>3,556,384</b>	<b>30,093</b>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	1,647,233	1,642,023	5,210
Special	167,749	165,147	2,602
Vocational	60,464	58,605	1,859
Other	249,100	246,878	2,222
Support services:			
Pupils	171,797	168,432	3,365
Instructional Staff	196,888	195,049	1,839
Board of Education	18,340	16,180	2,160
Administration	379,188	376,116	3,072
Fiscal	139,952	137,560	2,392
Operation and Maintenance of Plant	352,705	342,707	9,998
Pupil Transportation	190,733	151,706	39,027
Central	324,600	323,963	637
Non-Instructional Services	2,000	1,750	250
Extracurricular activities	85,361	84,973	388
Capital Outlay	1,950	1,687	263
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
<b>Total Expenditures</b>	<b>3,988,060</b>	<b>3,912,776</b>	<b>75,284</b>
Excess of Revenues Over (Under) Expenditures	(461,769)	(356,392)	105,377
<b>Other Financing Sources and Uses</b>			
Operating Transfers In	11,000	18,230	7,230
Proceeds from Sale of Fixed Assets	100	375	275
Refund of Prior Year Expenditures	17,000	11,498	(5,502)
Advances In	1,800	1,800	
Other Financing Sources	1,400	323	(1,077)
Operating Transfers Out	(1,000)	(662)	338
Refund of Prior Year Receipts	(250)	(172)	78
Advances Out	(500)		500
<b>Total Other Financing Sources (Uses)</b>	<b>29,550</b>	<b>31,392</b>	<b>1,842</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(432,219)	(325,000)	107,219
Fund Balances at Beginning of Year	1,099,611	1,099,611	
Prior Year Encumbrances Appropriated	47,637	47,637	
<b>Fund Balance at end of Year</b>	<b>\$715,029</b>	<b>\$822,248</b>	<b>\$107,219</b>

Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$316,009	\$316,020	\$11	\$20,000	\$20,026	\$26
61,750	65,421	3,671			
200		(200)			
			178,000	177,339	(661)
<u>377,959</u>	<u>381,441</u>	<u>3,482</u>	<u>198,000</u>	<u>197,365</u>	<u>(635)</u>
94,437	69,999	24,438			
86,074	73,321	12,753			
37,865	30,985	6,880			
34,027	30,885	3,142			
2,000		2,000			
			4,000	3,800	200
2,031		2,031			
4,528	4,167	361			
142,672	142,638	34			
59,702	50,512	9,190			
			70,000	70,000	
			105,918	105,918	
<u>463,336</u>	<u>402,507</u>	<u>60,829</u>	<u>179,918</u>	<u>179,718</u>	<u>200</u>
<u>(85,377)</u>	<u>(21,066)</u>	<u>64,311</u>	<u>18,082</u>	<u>17,647</u>	<u>(435)</u>
325	2,006	1,681			
4,000	4,000				
(11,000)	(11,000)				
<u>(6,675)</u>	<u>(4,994)</u>	<u>1,681</u>			
(92,052)	(26,060)	65,992	18,082	17,647	(435)
114,600	114,600		132,859	132,859	
3,519	3,519				
<u>\$26,067</u>	<u>\$92,059</u>	<u>\$65,992</u>	<u>\$150,941</u>	<u>\$150,506</u>	<u>(\$435)</u>

(Continued)

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)**

	<b>Capital Projects</b>		<b>Variance: Favorable (Unfavorable)</b>
	<b>Budget</b>	<b>Actual</b>	
<b>Revenues:</b>			
Intergovernmental	\$4,718	\$4,718	
Interest	200	149	(51)
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations			
Income Tax			
Property and Other Local Taxes			
Miscellaneous			
<b>Total Revenues</b>	<b>4,918</b>	<b>4,867</b>	<b>(51)</b>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular			
Special			
Vocational			
Other			
Support services:			
Pupils			
Instructional Staff	1,337	1,260	77
Board of Education			
Administration			
Fiscal			
Operation and Maintenance of Plant			
Pupil Transportation	23,251		23,251
Central			
Non-Instructional Services			
Extracurricular activities			
Capital Outlay	6,963	1,000	5,963
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
<b>Total Expenditures</b>	<b>31,551</b>	<b>2,260</b>	<b>29,291</b>
Excess of Revenues Over (Under) Expenditures	<b>(26,633)</b>	<b>2,607</b>	<b>29,240</b>
<b>Other Financing Sources and Uses</b>			
Operating Transfers In			
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures			
Advances In			
Other Financing Sources	(7,230)	(7,230)	
Operating Transfers Out			
Refund of Prior Year Receipts			
Advances Out			
<b>Total Other Financing Sources (Uses)</b>	<b>(7,230)</b>	<b>(7,230)</b>	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<b>(33,863)</b>	<b>(4,623)</b>	<b>29,240</b>
Fund Balances at Beginning of Year	37,692	37,692	
Prior Year Encumbrances Appropriated	1,050	1,050	
<b>Fund Balance at end of Year</b>	<b>\$4,879</b>	<b>\$34,119</b>	<b>\$29,240</b>

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



<b>Totals (Memorandum Only)</b>		
<b>Budget</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
\$2,198,227	\$2,282,157	\$83,930
85,200	41,772	(43,428)
30,600	17,877	(12,723)
700	1,260	560
61,750	65,421	3,671
6,200	14,006	7,806
360,000	352,342	(7,658)
1,070,000	1,056,397	(13,603)
294,491	308,825	14,334
<b>4,107,168</b>	<b>4,140,057</b>	<b>32,889</b>
1,741,670	1,712,022	29,648
253,823	238,468	15,355
60,464	58,605	1,859
249,100	246,878	2,222
209,662	199,417	10,245
232,252	227,194	5,058
18,340	16,180	2,160
381,188	376,116	5,072
143,952	141,360	2,592
352,705	342,707	9,998
216,015	151,706	64,309
329,128	328,130	998
144,672	144,388	284
145,063	135,485	9,578
8,913	2,687	6,226
70,000	70,000	
105,918	105,918	
<b>4,662,865</b>	<b>4,497,261</b>	<b>165,604</b>
<b>(555,697)</b>	<b>(357,204)</b>	<b>198,493</b>
11,000	18,230	7,230
100	375	275
17,325	13,504	(3,821)
1,800	1,800	
(1,830)	(2,907)	(1,077)
(12,000)	(11,662)	338
(250)	(172)	78
(500)		500
<b>15,645</b>	<b>19,168</b>	<b>3,523</b>
(540,052)	(338,036)	202,016
1,384,762	1,384,762	
52,206	52,206	
<b>\$896,916</b>	<b>\$1,098,932</b>	<b>\$202,016</b>

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND EQUITY  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<b>Totals (Memorandum Only)</b>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Operating Revenues:</b>			
Sales	\$81,361		\$81,361
Interest		\$382	382
Refund of Prior Year Expense	1,431		1,431
<b>Total Operating Revenues</b>	<b>82,792</b>	<b>382</b>	<b>83,174</b>
<b>Operating Expenses</b>			
Salaries	46,334		46,334
Fringe Benefits	24,070		24,070
Purchased Services	1,057		1,057
Materials and Supplies	64,573		64,573
Depreciation	2,192		2,192
Other	788	1,000	1,788
<b>Total Operating Expenses</b>	<b>139,014</b>	<b>1,000</b>	<b>140,014</b>
Operating Loss	(56,222)	(618)	(56,840)
<b>Non-Operating Revenues and Expenses</b>			
Federal Donated Commodities	15,444		15,444
Interest	89		89
Federal and State Subsidies	35,140		35,140
<b>Total Non-Operating Revenues and Expenses</b>	<b>50,673</b>		<b>50,673</b>
Loss Before Operating Transfers	(5,549)	(618)	(6,167)
Operating Transfers-In		662	662
Net Income (Loss)	(5,549)	44	(5,505)
Retained Earnings/Fund Balances at Beginning of Year	12,123	15,345	27,468
Prior Period Adjustment - Change in Reporting	(1,210)		(1,210)
Retained Earnings at Beginning of Year Restated	10,913	15,345	26,258
Retained Earnings/Fund Balances at End of Year	5,364	15,389	20,753
Contributed Capital at End of Year	2,446		2,446
<b>Total Fund Equity at End of Year</b>	<b>\$7,810</b>	<b>\$15,389</b>	<b>\$23,199</b>

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

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Increase (Decrease) in Cash and Cash Equivalents</b>			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Sales	\$81,361		\$81,361
Other Cash Receipts	1,431		1,431
Cash Payments to Suppliers for Goods and Service	(49,467)		(49,467)
Cash Payments for Contract Services	(1,057)		(1,057)
Cash Payments for Employee Services	(43,439)		(43,439)
Cash Payments for Employee Benefits	(21,825)		(21,825)
Other Cash Payments	(788)	(\$1,000)	(1,788)
Net Cash Used by Operating Activities	<u>(33,784)</u>	<u>(1,000)</u>	<u>(34,784)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Operating Grants Received	35,140		35,140
Operating Transfer In		662	662
Advances Out	(1,800)		(1,800)
Net Cash Provided by Noncapital Financing Activities	<u>33,340</u>	<u>662</u>	<u>34,002</u>
<u>Cash Flows from Investing Activities:</u>			
Interest Received	89	382	471
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Payments for Capital Acquisitions	(2,600)		(2,600)
Net Increase (Decrease) in Cash and Cash Equivalents	(2,955)	44	(2,911)
Cash and Cash Equivalents at Beginning of Year	9,875	15,345	25,220
<b>Cash and Cash Equivalents at End of Year</b>	<b><u>\$6,920</u></b>	<b><u>\$15,389</u></b>	<b><u>\$22,309</u></b>

(Continued)

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities:</b>			
Operating Loss	(\$56,222)	(\$618)	(\$56,840)
<b>Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided (Used) by Operating Activities:</b>			
Depreciation	2,192		2,192
Donated Commodities Used During the Year	15,444		15,444
Contributed Capital			-
Adjustments to Capital Outlay			-
Nonexpendable Trust Interest		(382)	(382)
(Increase) Decrease in Assets:			
Material and Supplies Inventory	655		655
Increase (Decrease) in Liabilities:			
Compensated Absences Payable	251		251
Intergovernmental Payable	2,200		2,200
Deferred Revenue	(525)		(525)
Accrued Wages and Benefits	2,689		2,689
Accounts Payable	(468)		(468)
	<u>22,438</u>	<u>(382)</u>	<u>22,056</u>
<b>Total Adjustments</b>	<u>22,438</u>	<u>(382)</u>	<u>22,056</u>
<b>Net Cash Used by Operating Activities</b>	<u><b>(\$33,784)</b></u>	<u><b>(\$1,000)</b></u>	<u><b>(\$34,784)</b></u>

**Reconciliation of Nonexpendable Trust Fund Cash Balance as of June 30, 2002:**

Cash and Cash Equivalents - Trust and Agency Funds	\$34,703
Less: Agency Funds	<u>(19,314)</u>
<b>Cash and Cash Equivalents - Nonexpendable Trust Funds</b>	<u><b>\$15,389</b></u>

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

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

**The Reporting Entity**

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

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

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

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

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

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

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

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

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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

**B. Fund Accounting**

The District maintains its accounting in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reporting in other funds. The restrictions associated with each class of funds are as follows:

1. GOVERNMENTAL FUNDS

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

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

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

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

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

2. PROPRIETARY FUNDS

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

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

3. FIDUCIARY FUNDS

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

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

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

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

4. ACCOUNT GROUPS

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

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

**C. Budgetary Accounting**

Budgets are adopted on a cash basis.

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

The specific timetable is as follows:

1. Prior to January 15, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. A public hearing is publicized and conducted to obtain taxpayers' comments. The purpose of this Budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board adopted budget is filed with the County Budget Commission for rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. The annual appropriation measure (the true operating budget) is then developed at the fund, function and object level of expenditures, which are the legal levels of budgetary control.
4. A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for a period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.
5. The District maintains budgetary control by not permitting expenditures to exceed appropriations within each fund, function and object without approval of the Board of Education. The Board permits management to make discretionary, budgetary adjustments within each fund, which are approved by the Board on a monthly basis. Any adjustments that alter the total fund appropriation require specific action of the Board.



**GORHAM FAYETTE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

6. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

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

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

An analysis of the difference between GAAP and budgetary basis for all governmental fund types for the year ended June 30, 2002 follows:

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Use			
	General	Special Revenue	Debt Service	Capital Projects
Budget Basis	(\$325,000)	(\$26,060)	\$17,647	(\$4,623)
Revenue Accruals	29,329	82	6,843	
Expenditure Accruals	(20,120)	(43)		
Other Sources/Uses	(9,047)			
Encumbrances	21,420	14,460		990
GAAP Basis	<u>(\$303,418)</u>	<u>(\$11,561)</u>	<u>\$24,490</u>	<u>(\$3,633)</u>

**D. Encumbrances**

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

**E. Cash and Investments**

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

During fiscal year 2002, investments were limited to an overnight repurchase agreement, STAR Ohio, and a non-negotiable certificate of deposit. The repurchase agreement and non-negotiable certificate of deposit are reported at cost.

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2002. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2002.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2002 amounted to \$41,111.

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

**F. Inventory**

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

**G. Property, Plant and Equipment**

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during construction of general fixed assets is also not capitalized. Contributed fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500. This is based primarily on the uniqueness of these items to a school operation. No depreciation is recognized for assets in General Fixed Assets Account Group.

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

2. Proprietary Funds

Property plant and equipment reflected in the Proprietary Funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Contributed fixed assets are recorded at their fair market values as of the date

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

donated. Depreciation has been provided for furniture, fixtures, and equipment on a straight-line basis over an estimated useful life of seven to twenty years.

**H. Intergovernmental Revenues**

In Governmental Funds, entitlements and non-reimbursable grants are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary Fund operations are recognized as revenue when measurable and earned. This District currently participates in various state and federal programs, categorized as follows:

**Entitlements**

General Fund

State Foundation Program  
School Bus Purchase Reimbursement

**Non-Reimbursable Grants**

Special Revenue Funds

Teacher Development  
Educational Management Information Systems (EMIS)  
School Improvement Incentive  
Public School Preschool  
Onenet Connectivity Subsidy  
SchoolNet Professional Development  
Ohio Reads  
Summer Intervention  
Extended Learning Opportunity  
Safe School Teen Line  
Eisenhower Grant  
Title VI-B  
Title I  
Title VI  
Drug Free Grant  
Preschool Disability Grant  
Telecomm  
Continuous Improvement Plan  
Title VI - R

Capital Projects Funds

SchoolNet  
School Net Plus  
Technology Equity  
Emergency School Building Repair

**Reimbursable Grants**

General Fund

Driver Education Reimbursement  
Vocational Education Equipment Fund

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

Enterprise Fund

National School Lunch Program  
Government Donated Commodities

**I. Interfund Transactions**

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

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

**J. Compensated Absences**

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

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

The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. For governmental funds, the District provides a liability for unpaid accumulated sick leave and vacation time for eligible employees in the period the employees become eligible to receive payment. The current portion of unpaid compensated absences is the amount to be paid using expendable available resources and is reported as an accrued liability in the fund from which the individuals who have accumulated the unpaid compensated absences are paid. The balance of the liability is reported in the General Long-Term Obligations Account Group. In proprietary funds, compensated absences are expensed when earned. The entire amount of unpaid compensated absences is reported as a fund liability.

**K. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted by state statute to be set-aside by the School District to create a reserve for the budget stabilization. See Note 17 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**L. Fund Balance Reserves**

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

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

**M. Estimates**

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

**N. Long-Term Obligations**

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

**O. Total Columns on Financial Statements**

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

**3. ACCOUNTABILITY**

At June 30, 2002, the Reducing Class Size Fund had a deficit fund balance of \$38, which was created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**4. CASH AND CASH EQUIVALENTS**

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

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

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

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

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

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

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

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

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

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

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

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

**Deposits:** At year-end, the carrying amount of the District's deposits was \$506,332 and the bank balance was \$535,232. Of the bank balance, \$129,664 was covered by Federal Depository Insurance; and \$405,568 was secured by pooled collateral that was held in the pledging financial institution's name. All State statutory requirements for the deposit of money had been followed.

**Investments:** The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the district's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. During fiscal year 2002, investments were limited to Star Ohio with a carrying amount and fair value as of June 30, 2002 of \$638,835, and a repurchase agreement, a Category 3 investment, with a carrying amount and fair value as of June 30, 2002 of \$32,262.

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

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

	Cash and Cash Equivalents	
	Deposits	Investments
GASB Statement 9	\$1,177,429	
Investments of the Cash Management Pool:		
Repurchase Agreement	(32,262)	\$32,262
State Treasurer's Investment Pool	(638,835)	638,835
GASB Statement 3	\$506,332	\$671,097

**5. PROPERTY TAXES**

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

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

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

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

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

Pertinent tangible personal property tax dates are:

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

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

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

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

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

Taxes receivable represent current and delinquent real property, tangible personal property, and public utility property taxes, which are measurable at June 30, 2002. These taxes are intended to finance the next fiscal year's operations, and are therefore offset by a credit to deferred revenue, except for the portion, which is available to advance as of June 30, 2002.

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

	<u>Amount</u>
Agricultural/Residential Real Estate	\$25,424,730
Commercial/Industrial Real Estate	3,187,870
Public Utility Personal Property	2,178,350
General Personal Property	<u>3,441,110</u>
Total valuation	<u><u>\$34,232,060</u></u>

**6. FIXED ASSETS**

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



**GORHAM FAYETTE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

<u>Asset Category</u>	<u>Balance at 6/30/01</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at 6/30/02</u>
Land and Improvements	\$158,623			\$158,623
Buildings and Improvements	1,724,180			1,724,180
Furniture and Equipment	929,063	\$36,095	\$992	964,166
Vehicles	362,432	2,645		365,077
Construction-In-Progress	2,691,252			2,691,252
Text and Library Books	322,925			322,925
Totals	<u>\$6,188,475</u>	<u>\$38,740</u>	<u>\$992</u>	<u>\$6,226,223</u>

A summary of the enterprise funds' fixed assets at June 30, 2002, follows:

<u>Asset Category</u>	<u>Balance at 6/30/02</u>
Furniture and Equipment	\$52,317
Less: Accumulated Depreciation	<u>(35,605)</u>
Net Fixed Assets	<u>\$16,712</u>

**7. LONG-TERM OBLIGATIONS**

During the year ended June 30, 2002, the following changes occurred in obligations reported in the General Long-Term Obligations Account Group:

	<u>Principal Outstanding 6/30/01</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding 6/30/02</u>
General Obligation Bonds	\$2,299,698	\$4,845	\$70,000	\$2,234,543
Pension Obligation	29,523	307		29,830
Compensated Absences	279,594	20,925		300,519
Total Long-Term Obligations	<u>\$2,608,815</u>	<u>\$26,077</u>	<u>\$70,000</u>	<u>\$2,564,892</u>

Debt outstanding at June 30, 2002 consisted of a separate issue of construction and improvement bonds. The issue includes both current interest bonds, par value of \$2,300,000 and capital appreciation bonds, par value of \$315,000. These bonds were issued in 1998 and will mature in 2024. Interest rates for the current interest bonds range from 3.85 percent to 5.00 percent.

The capital appreciation bonds mature on December 1, 2010, 2011 and 2012, with stated interest rate of 19.5 percent, at a redemption price equal to 100% of the par value. The annual accretion of interest is computed semiannually. The accretion of interest on the capital appreciation bonds reported in the General Long-Term Obligations Account Group at June 30, 2002 was \$29,835.

Total expenditures for interest for the above debt for the period ended June 30, 2002 was \$105,918. The scheduled payments of principal and interest on debt outstanding at June 30, 2002 are as follows:

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

Fiscal year Ending June 30,	Principal	Interest	Total
2003	\$75,000	\$102,926	\$177,926
2004	80,000	99,690	179,690
2005	80,000	96,310	176,310
2006	75,000	92,998	167,998
2007	85,000	89,536	174,536
thereafter	1,839,543	1,212,364	3,051,907
Total	<u>\$2,234,543</u>	<u>\$1,693,824</u>	<u>\$3,928,367</u>

Continuing Disclosure Certificate for School Facility Construction and Improvements Bonds Section 3 requires the filing of the Annual Report with each State Repository, each year no later than December 1<sup>st</sup> for the fiscal year of the School District which ended on the previous June 30<sup>th</sup>. The District did not file fiscal year 2001 Annual Report with the State Repository.

**8. COMPENSATED ABSENCES**

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

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

At June 30, 2002, the current amount of unpaid compensated absences in all funds, except for the proprietary funds, and the balance of the liability in the General Long-Term Obligation Account Group was \$2,961 and \$300,519, respectively. The liability for compensated absences in the proprietary funds at June 30, 2002 was \$2,815.

**9. RETIREMENT INCENTIVE**

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

**10. DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

The District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Teachers Retirement System, 275 E. Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent, 9.5 % was the portion used to fund pension obligations for fiscal year 2002. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$189,070, \$179,701, and \$109,756, respectively; 85 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$ 282,698 representing the unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds.

**B. School Employees Retirement System**

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan member and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of the annual covered payroll, 5.46% is the portion used to fund pension obligations for fiscal year 2002. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$27,561, \$36,542, and \$44,579, respectively; 57 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$ 41,911 representing the unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds and the general long-term obligations account group.

**11. POSTEMPLOYMENT BENEFITS**

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of monthly premiums.

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

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 30, 2002, the board allocated employer contributions equal to 4.5 percent of covered payroll to Health Care Reserve Fund.

For the School District this amount equaled \$89,371. The balance in the Health Care Reserve Fund was \$3.256 billion on June 30, 2001.

For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000. There were 102,132 eligible benefit recipients.

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

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2002, the allocation rate is 8.54 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2002, the minimum pay has been established as \$12,400. For the District, the amount to fund health care benefits, including the surcharge was \$ 55,509.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, the Retirement System's net assets available for payment of health care benefits were \$315.7 million.

The number of participants currently receiving health care benefits is approximately 50,000.

The portion of your employer contributions that were used to fund postemployment benefits can be determined by multiplying actual employer contributions times .70, then adding the surcharge due as of June 30, 2002 as certified to your district by SERS.

**12. RISK MANAGEMENT**

**A. Comprehensive**

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

Coverage provided by Ohio School Plan:

General Liability	
Per Occurrence	\$1,000,000
Total per Year	3,000,000

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

Coverage provided by Hartford Insurance:	
Blanket Property Insurance (\$1,000 deductible)	10,918,700
Coverage provided by Ohio School Plan	
Auto Coverage	
Liability	1,000,000
Auto Medical Payment	5,000

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

**B. Employee Insurance Benefits Program**

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

**C. Workers' Compensation Group Program**

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

Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement. The District paid \$2,030 in premiums during the 2002 fiscal year.

**13. ENTERPRISE FUNDS SEGMENT INFORMATION**

The District maintains two Enterprise Funds, which provide lunchroom/cafeteria, uniform school supply services, and adult education. Segment information for the year ended June 30, 2002 was as follows:

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$79,141	\$3,651	\$82,792
Depreciation Expense	2,192		2,192
Operating Income (Loss)	(58,432)	2,210	(56,222)
Donated Commodities	15,444		15,444
Grants	35,140		35,140
Interest	89		89
Net Income (Loss)	(7,759)	2,210	(5,549)
Net Working Capital	(10,109)	1,207	(8,902)
Total Assets	26,199	1,207	27,406
Total Liabilities	19,596		19,596
Contributed Capital	2,446		2,446
Total Equity	6,603	1,207	7,810

**14. JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Computer Association**

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, and Williams Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total fees paid by the District to NWOCA during this fiscal year were \$34,048. Financial information can be obtained from Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**B. Northern Buckeye Education Council**

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

**C. Four County Career Center**

The Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of five representatives from the Northwest Ohio Educational Service Center - one each from the counties of Defiance, Fulton, Henry, and Williams and one additional representative; one representative from each of the city school districts; and one representative from each of the exempted village school districts. The Four County Career Center

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

possesses its own budgeting and taxing authority. To obtain financial information write to the Four County Career Center, Lois Knuth, who serves as Treasurer, at Route 1, Box 245A, Archbold, Ohio 43502.

**15. RELATED ORGANIZATIONS**

**Normal Memorial Library**

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

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

**16. GROUP PURCHASING POOLS**

**A. NBEC Employee Insurance Benefits Program**

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams Counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NBEC for employee insurance benefits during this fiscal year were \$328,648. Financial information can be obtained from Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**B. NBEC Workers' Compensation Group Rating Plan**

The District participates in a group rating plan for workers' compensation as established under § 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program. During this fiscal year, the District paid an enrollment fee of \$403 to the WCGRP to cover the costs of administering the program.

**C. Ohio School Plan**

The District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under § 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum -Hyre Insurance

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum - Hyre Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum -Hyre Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

**17. SET-ASIDE CALCULATIONS AND FUND RESERVES**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. For fiscal year 2002, only the unspent portion of certain workers' compensation refunds continues to be set aside at fiscal year end.

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

	Textbooks	Capital Acquisition	Budget Stabilization
Balance Carried Forward from FY 2001	(\$10,612)		\$20,872
Current Year Set-aside Requirement	51,398	\$51,398	
Qualifying Disbursements	(68,734)	(51,398)	
Balance Carried Forward to FY 2003	(\$27,948)		\$20,872
Cash Balance Carried Forward to FY 2003			\$20,872

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

**18. STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.



**GORHAM FAYETTE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**19. AGENCY FUNDS**

General Purpose Statement Changes in Assets and Liabilities			
	Balance at 6/30/01	Change	Balance at 6/30/02
Assets	\$22,148	(\$2,834)	\$19,314
Liabilities	\$22,148	(\$2,834)	\$19,314

**20. SCHOOL DISTRICT INCOME TAX**

In 1991, the voters of the District passed a 1 percent school income tax on wages earned by residents of the District. The taxes are collected by the State Department of Taxation in the same manner as the state income tax. In the fiscal year ending June 30, 2002, the District recorded income tax revenue of \$351,209 in the General Fund, of which \$125,543 is recorded as a receivable at June 30, 2002.

**21. CHANGE IN ACCOUNTING PRINCIPLE**

For fiscal year 2002, the School District has increased the threshold amount for capitalizing fixed assets. The threshold amount was increased from \$300 to \$500.

The fixed assets and accumulated depreciation in the enterprise funds decreased due to the change in the threshold amount for capitalizing fixed assets. Fixed assets decreased \$ 3,951 from \$53,668 to \$49,717 and accumulated depreciation decreased \$2,741 from \$36,154 to \$33,413. As a result of restatement, retained earning as previously reported as June 30, 2001, decreased \$1,210 from \$12,123 to \$10,913. The fixed assets reported in the general fixed assets account group decreased \$106,465 from \$6,294,940 to \$6,188,475, due to change in the threshold amount for capitalizing fixed assets.

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STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One Government Center  
Suite 1420  
Toledo, Ohio 43604-2246  
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800-443-9276  
Facsimile 419-245-2484  
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Education:

We have audited the financial statements of Gorham Fayette Local School District (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated December 16, 2002, which report noted the change in its policy regarding fixed asset capitalization. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2002-10126- 001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management in a separate letter dated December 16, 2002.

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

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

**Jim Petro**  
Auditor of State

December 16, 2002

**GORHAM FAYETTE LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**SCHEDULE OF FINDINGS**

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

**FINDING NUMBER 2002-10126-001**

**Noncompliance Citation**

Continuing Disclosure Certificate for School Facility Construction and Improvements Bonds Section 3 requires the filing of the Annual Report with each State Repository, each year no later than December 1<sup>st</sup> for the fiscal year of the School District which ended on the previous June 30<sup>th</sup>. The Treasurer did not file fiscal year 2001 Annual Report with the State Repository.

This condition could place the District in default of the debt agreement. To prevent the possible default of the debt agreement we recommend the Treasurer file the fiscal year 2001 Annual Report with the State Repository as required by the debt covenant.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**GORHAM-FAYETTE LOCAL SCHOOL DISTRICT**

**FULTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 9, 2003**