



Dave Yost • Auditor of State



**FAYETTEVILLE-PERRY LOCAL SCHOOL DISTRICT  
BROWN COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets as of June 30, 2010 .....	11
Statement of Activities – For the Fiscal Year Ended June 30, 2010 .....	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	13
Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities .....	14
Statement of Revenues, Expenditures, and Changes In Fund Balances – Governmental Funds .....	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balance of Governmental Funds to the Statement of Activities.....	16
Statement of Revenues, Expenditures and Changes in Fund Balance Budget (non-GAAP Basis) and Actual – General Fund .....	17
Statement of Fiduciary Net Assets – Fiduciary Funds .....	18
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds .....	19
Notes to the Basic Financial Statements .....	21
Schedule of Federal Awards Receipts and Expenditures.....	51
Notes to the Federal Awards Receipts and Expenditures Schedule .....	52
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	53
Independent Accountants' Report on Compliance with requirements Applicable to Major Federal Programs and Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	55
Schedule of Findings.....	57
Schedule of Prior Audit Findings.....	59

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Fayetteville-Perry Local School District  
Brown County  
501 S. Apple Street  
Fayetteville, Ohio 45118-0281

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fayetteville-Perry Local School District, Brown County, Ohio (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fayetteville-Perry Local School District, Brown County, Ohio, as of June 30, 2010, and the respective changes in financial position thereof and the budgetary comparison for the General Fund and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2011, 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.

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards expenditure schedule 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 basic 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. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

February 24, 2011

**Fayetteville-Perry Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
Unaudited

---

As management of the Fayetteville-Perry Local School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's performance.

**Financial Highlights**

- The assets of the Fayetteville-Perry Local School District exceeded its liabilities at June 30, 2010 by \$23,265,486.
- The School District's net assets decreased \$1,193,579 during this fiscal year's operations.
- General revenues accounted for \$7,327,507 or 76 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions and interest accounted for \$2,276,660 or 24 percent of total revenues of \$9,604,167.
- The School District had \$10,797,746 in expenses related to governmental activities; only \$2,276,660 of these expenses were offset by program specific charges for services and sales, grants, contributions and interest.

**Using the Basic Financial Statements**

This report consists of a series of financial statements and the notes to the basic financial statements. These statements are organized so the reader can understand Fayetteville-Perry Local School District as a whole, an entire operating entity.

The *Statement of Net Assets* and the *Statement of Activities* provide information about the activities of the School District as a whole, and present a longer term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term, as well as what remains for future spending. The fund financial statements also look at the School District's major funds, with all other nonmajor funds presented in total in one column. The major funds for the Fayetteville-Perry Local School District are the General Fund, the Debt Service Fund, the Ohio School Facilities Commission (OSFC) Locally Funded Initiative Fund, and the OSFC Classroom Facilities Fund.

*Fayetteville-Perry Local School District*  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
Unaudited

---

## **Reporting the School District as a Whole**

One of the most important questions asked about the School District is “How did we do financially during fiscal year 2010?” The *Statement of Net Assets* and the *Statement of Activities*, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These government-wide financial statements include all *assets* and *liabilities* using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. The change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the School District's property tax base, current property tax laws in Ohio restricting revenue growth, required educational programs and other factors.

## **Reporting the School District's Most Significant Funds**

### **Fund Financial Statements**

The analysis of the School District's major funds begins on page six. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's major funds.

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

**Fiduciary Funds** - The School District's fiduciary funds consist of an agency fund and a private purpose trust fund. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.



**Fayetteville-Perry Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2010**  
**Unaudited**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for fiscal years 2010 and 2009:

(Table 1)  
Net Assets  
Governmental Activities

	2010	2009	Change
<b>Assets</b>			
Current and Other Assets	\$6,578,737	\$9,817,759	(\$3,239,022)
Capital Assets, Net	28,174,855	27,008,851	1,166,004
Total Assets	<u>34,753,592</u>	<u>36,826,610</u>	<u>(2,073,018)</u>
<b>Liabilities</b>			
Other Liabilities	2,998,067	3,572,653	(574,586)
Long-Term Liabilities	8,490,039	8,794,892	(304,853)
Total Liabilities	<u>11,488,106</u>	<u>12,367,545</u>	<u>(879,439)</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	20,158,280	20,489,800	(331,520)
Restricted	2,975,494	3,012,627	(37,133)
Unrestricted	131,712	956,638	(824,926)
Total Net Assets	<u>\$23,265,486</u>	<u>\$24,459,065</u>	<u>(\$1,193,579)</u>

Unrestricted net assets decreased \$824,926 due primarily to expenditures exceeding revenues during the fiscal year. Current and other assets decreased \$3,239,022 during the fiscal year. This was due to expenditures exceeding revenues along with the School District's completion of construction projects. Other liabilities decreased \$574,586 due to a decrease in contracts payable related to the completion of construction projects.

Table 2 shows the highlights of the School District's revenues and expenses. These two main components are subtracted to yield the change in net assets. This table uses the full accrual method of accounting.

Revenue is further divided into two major components: Program Revenues and General Revenues. Program Revenues are defined as charges for services and sales, restricted grants, contributions and interest. General Revenues include property taxes, unrestricted grants such as State foundation support, gifts and donations, interest and miscellaneous revenues.

**Fayetteville-Perry Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2010**  
**Unaudited**

(Table 2)  
Change in Net Assets  
Governmental Activities

	2010	2009	Change
<b>Revenues</b>			
Program Revenues:			
Charges for Services and Sales	\$1,131,308	\$1,113,480	\$17,828
Operating Grants, Contributions and Interest	1,145,352	949,970	195,382
<b>Total Program Revenues</b>	<b>2,276,660</b>	<b>2,063,450</b>	<b>213,210</b>
General Revenues:			
Property Taxes	2,401,372	2,547,594	(146,222)
Grants and Entitlements not Restricted to Specific Programs	4,790,435	4,828,033	(37,598)
Interest	46,053	207,288	(161,235)
Miscellaneous	89,647	56,477	33,170
<b>Total General Revenues</b>	<b>7,327,507</b>	<b>7,639,392</b>	<b>(311,885)</b>
<b>Total Revenues</b>	<b>9,604,167</b>	<b>9,702,842</b>	<b>(98,675)</b>
<b>Program Expenses</b>			
Instruction:			
Regular	4,028,807	3,939,553	(89,254)
Special	1,207,137	1,010,915	(196,222)
Vocational	191,713	176,594	(15,119)
Student Intervention Services	18,130	29,816	11,686
Support Services:			
Pupils	321,203	404,854	83,651
Instructional Staff	844,661	875,488	30,827
Board of Education	72,186	65,123	(7,063)
Administration	856,402	826,489	(29,913)
Fiscal	314,327	340,224	25,897
Operation and Maintenance of Plant	1,107,101	977,642	(129,459)
Pupil Transportation	657,207	586,734	(70,473)
Central	8,398	7,656	(742)
Operation of Non-Instructional Services:			
Other	92,067	52,951	(39,116)
Food Services	513,422	582,792	69,370
Extracurricular Activities	209,222	219,054	9,832
Interest and Fiscal Charges	355,763	367,143	11,380
<b>Total Expenses</b>	<b>10,797,746</b>	<b>10,463,028</b>	<b>(334,718)</b>
Change in Net Assets Before Special Item	(1,193,579)	(760,186)	(433,393)
Special Item - Demolition of Buildings	0	(3,439,795)	(3,439,795)
Change in Net Assets	(1,193,579)	(4,199,981)	(3,873,188)
Net Assets at Beginning of Year	24,459,065	28,659,046	(4,199,981)
Net Assets at End of Year	<b>\$23,265,486</b>	<b>\$24,459,065</b>	<b>(\$1,193,579)</b>

Operating grants, contributions, and interest increased \$195,382 due to the receipt of ARRA grants.

**Fayetteville-Perry Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2010**  
**Unaudited**

---

Investment earnings decreased \$161,235, due to a decrease in cash balances.

Special instruction expenses increased \$196,222 due mainly to Title VI-B monies being spent more heavily on special instruction during the fiscal year.

**Governmental Activities**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. In Table 3, the total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program revenues. Net costs are costs that must be covered by unrestricted State aid (State Foundation) or local taxes. The difference in these two columns would represent restricted grants, fees and donations.

(Table 3)  
 Governmental Activities

	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
Instruction	\$5,445,787	\$3,886,004	\$5,430,882	\$4,110,822
Support Services	4,181,485	3,990,807	3,860,440	3,629,173
Operation of Non-				
Instructional Services	605,489	142,077	590,076	142,012
Extracurricular Activities	209,222	146,435	214,487	150,428
Interest and Fiscal Charges	355,763	355,763	367,143	367,143
<b>Total Expenses</b>	<b>\$10,797,746</b>	<b>\$8,521,086</b>	<b>\$10,463,028</b>	<b>\$8,399,578</b>

**The School District's Funds**

Information about the School District's major funds starts on page 12. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$9,575,454 and expenditures of \$12,265,395. The net change in fund balance for the fiscal year was most significant in the OSFC Classroom Facilities Fund, a decrease of \$1,138,067. This was due to the School District utilizing its remaining OSFC grant monies for the completion of new buildings. The net change in fund balance for the fiscal year in the General Fund was a decrease of \$828,884. This was due to overall expenditures exceeding revenues for the fiscal year. The net changes in fund balances for the fiscal year in the Debt Service and OSFC Locally Funded Initiative Funds were an increase of \$121,931 and a decrease of \$972,175, respectively. The increase in the Debt Service Fund was due to property tax revenues exceeding debt service payments. The decrease in the the OSFC Locally Funded Initiative Fund was due to the School District utilizing its remaining local monies for the completion of new buildings.

*Fayetteville-Perry Local School District*  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
Unaudited

---

**General Fund - Budget Highlights**

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. During the course of fiscal year 2010, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures.

The School District's ending unobligated cash balance was \$456 below the final budgeted amount in the General Fund.

For the General Fund, actual revenues were \$7,291,188, a \$456 decrease under final budget estimates of \$7,291,644. This was due to the School District's close monitoring of revenues, and adjusting estimated revenues to reflect this. Final budget estimates were \$292,456 lower than original budget estimates of \$7,584,100, due to decreases in anticipated property taxes and intergovernmental revenues. Final budgeted and actual expenditures in the General Fund were \$8,257,863, a \$410,190 decrease under original budget estimates of \$8,668,053, due to overall decreases in expenditures, as the School District closely monitored its budget.

**Capital Assets and Debt Administration**

*Capital Assets*

The Fayetteville-Perry Local School District's investment in capital assets as of June 30, 2010 was \$28,174,855. This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, furniture, fixtures and equipment, and vehicles. Table 4 shows fiscal year 2010 balances compared to fiscal year 2009:

(Table 4)  
Capital Assets at June 30  
(Net of Depreciation)  
Governmental Activities

	2010	2009	Change
Land	\$89,380	\$89,380	\$0
Construction in Progress	131,111	0	131,111
Land Improvements	1,192,613	1,284,193	(91,580)
Buildings and Improvements	25,872,400	24,667,552	1,204,848
Furniture, Fixtures and Equipment	643,788	683,591	(39,803)
Vehicles	245,563	284,135	(38,572)
<b>Totals</b>	<b>\$28,174,855</b>	<b>\$27,008,851</b>	<b>\$1,166,004</b>

**Fayetteville-Perry Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2010**  
**Unaudited**

---

Net capital assets increased \$1,166,004 from the prior fiscal year, primarily due to the completion of new school buildings and additions exceeding current year depreciation. For more information on capital assets, refer to note 7 to the basic financial statements.

***Debt***

At June 30, 2010 the School District had \$8,116,780 in bonds outstanding with \$335,000 due within one year. Table 5 summarizes bonds outstanding:

(Table 5)  
 Outstanding Debt, at Fiscal Year-end  
 Governmental Activities

	2010	2009
General Obligation Bonds:		
School Improvement Refunding Bonds 2006	\$8,095,000	\$8,395,000
Premium on Refunding Bonds	110,448	115,050
Loss on Refunding	(88,668)	(92,363)
Totals	\$8,116,780	\$8,417,687

The School District's overall legal debt margin was \$1,719,072 with an unvoted debt margin of \$94,233 at June 30, 2010.

For more information on debt, refer to note 12 to the basic financial statements.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information contact Jo Anna Carraher, Treasurer, at Fayetteville-Perry Local School District, 501 S. Apple Street, Fayetteville, Ohio 45118-0281.

**This page intentionally left blank.**

**Fayetteville-Perry Local School District**

Statement of Net Assets

June 30, 2010

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$3,757,841
Prepaid Items	2,953
Inventory Held for Resale	10,219
Materials and Supplies Inventory	1,354
Intergovernmental Receivable	86,036
Property Taxes Receivable	2,620,129
Deferred Charges	100,205
Capital Assets:	
Land	89,380
Construction in Progress	131,111
Depreciable Capital Assets, Net	<u>27,954,364</u>
<b>Total Assets</b>	<u><u>34,753,592</u></u>
<b>Liabilities:</b>	
Accounts Payable	9,319
Accrued Wages and Benefits Payable	643,220
Intergovernmental Payable	234,119
Contracts Payable	132,116
Deferred Revenue	1,886,735
Matured Compensated Absences Payable	47,920
Special Termination Benefits Payable	15,658
Accrued Interest Payable	28,980
Long-Term Liabilities:	
Due Within One Year	378,650
Due in More Than One Year	<u>8,111,389</u>
<b>Total Liabilities</b>	<u><u>11,488,106</u></u>
<b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	20,158,280
Restricted for:	
Capital Outlay	1,172,900
Debt Service	1,340,951
Other Purposes	461,643
Unrestricted	<u>131,712</u>
<b>Total Net Assets</b>	<u><u>\$23,265,486</u></u>

See accompanying notes to the basic financial statements

**Fayetteville-Perry Local School District**  
Statement of Activities  
For the Fiscal Year Ended June 30, 2010

	Program Revenues		Net (Expense)
	Expenses	Charges for Services and Sales	Revenue and Changes in Net Assets
		Operating Grants, Contributions and Interest	Governmental Activities
<b>Governmental Activities:</b>			
Instruction:			
Regular	\$4,028,807	\$654,716	\$38,765
Special	1,207,137	163,214	629,278
Vocational	191,713	33,347	40,463
Student Intervention Services	18,130	0	0
Support Services:			
Pupils	321,203	0	0
Instructional Staff	844,661	0	101,661
Board of Education	72,186	0	0
Administration	856,402	0	47,863
Fiscal	314,327	0	0
Operation and Maintenance of Plant	1,107,101	0	32,366
Pupil Transportation	657,207	0	8,788
Central	8,398	0	0
Operation of Non-Instructional Services:			
Other	92,067	0	0
Food Services	513,422	225,255	238,157
Extracurricular Activities	209,222	54,776	8,011
Interest and Fiscal Charges	355,763	0	0
<b>Total Governmental Activities</b>	<b>\$10,797,746</b>	<b>\$1,131,308</b>	<b>\$1,145,352</b>

**General Revenues:**

Property Taxes Levied for:	
General Purposes	1,605,458
Debt Service	686,710
Capital Outlay	78,932
Capital Maintenance	30,272
Grants and Entitlements not	
Restricted to Specific Programs	4,790,435
Interest	46,053
Miscellaneous	89,647
<b>Total General Revenues</b>	<b>7,327,507</b>
Change in Net Assets	(1,193,579)
<b>Net Assets at Beginning of Year</b>	<b>24,459,065</b>
<b>Net Assets at End of Year</b>	<b>\$23,265,486</b>

See accompanying notes to the basic financial statements



**Fayetteville-Perry Local School District**

Balance Sheet  
Governmental Funds  
June 30, 2010

	General Fund	Debt Service Fund	OSFC Locally Funded Initiative Fund	OSFC Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>						
Equity in Pooled Cash and Cash Equivalents	\$906,177	\$1,158,086	\$984,250	\$153,671	\$555,657	\$3,757,841
Inventory Held for Resale	0	0	0	0	10,219	10,219
Materials and Supplies Inventory	0	0	0	0	1,354	1,354
Interfund Receivable	3,302	0	0	0	0	3,302
Intergovernmental Receivable	0	0	0	0	86,036	86,036
Prepaid Items	1,913	0	0	0	1,040	2,953
Property Taxes Receivable	1,758,119	743,295	0	0	118,715	2,620,129
<b>Total Assets</b>	<b>\$2,669,511</b>	<b>\$1,901,381</b>	<b>\$984,250</b>	<b>\$153,671</b>	<b>\$773,021</b>	<b>\$6,481,834</b>
<b>Liabilities:</b>						
Accounts Payable	\$6,407	\$0	\$0	\$2,265	\$647	\$9,319
Accrued Wages and Benefits Payable	614,594	0	0	0	28,626	643,220
Contracts Payable	0	0	131,111	0	1,005	132,116
Interfund Payable	0	0	0	0	3,302	3,302
Special Termination Benefits Payable	15,658	0	0	0	0	15,658
Intergovernmental Payable	219,503	0	0	0	14,616	234,119
Matured Compensated Absences Payable	47,920	0	0	0	0	47,920
Deferred Revenue	1,355,772	568,274	0	0	153,618	2,077,664
<b>Total Liabilities</b>	<b>2,259,854</b>	<b>568,274</b>	<b>131,111</b>	<b>2,265</b>	<b>201,814</b>	<b>3,163,318</b>
<b>Fund Balances:</b>						
Reserved for Encumbrances	142,559	0	634,354	132,047	38,409	947,369
Reserved for Property Taxes	402,347	175,021	0	0	27,721	605,089
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	(135,249)	0	0	0	0	(135,249)
Special Revenue Funds	0	0	0	0	367,269	367,269
Debt Service Fund	0	1,158,086	0	0	0	1,158,086
Capital Projects Funds	0	0	218,785	19,359	137,808	375,952
<b>Total Fund Balances</b>	<b>409,657</b>	<b>1,333,107</b>	<b>853,139</b>	<b>151,406</b>	<b>571,207</b>	<b>3,318,516</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$2,669,511</b>	<b>\$1,901,381</b>	<b>\$984,250</b>	<b>\$153,671</b>	<b>\$773,021</b>	<b>\$6,481,834</b>

See accompanying notes to the basic financial statements

**Fayetteville-Perry Local School District**  
Reconciliation of Total Governmental Fund Balances to  
Net Assets of Governmental Activities  
June 30, 2010

**Total Governmental Fund Balances** \$3,318,516

***Amounts reported for governmental activities in the  
Statement of Net Assets are different because:***

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	89,380	
Construction in progress	131,111	
Other capital assets	29,874,234	
Accumulated depreciation	<u>(1,919,870)</u>	
Total capital assets		28,174,855

Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

Delinquent property taxes	128,305	
Intergovernmental	<u>62,624</u>	
		190,929

Bond issuance costs reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis. 100,205

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (28,980)

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds payable	(8,095,000)	
Bond premium	(110,448)	
Loss on refunding	88,668	
Compensated absences	<u>(373,259)</u>	
Total liabilities		<u>(8,490,039)</u>

**Net Assets of Governmental Activities** \$23,265,486

See accompanying notes to the basic financial statements

**Fayetteville-Perry Local School District**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2010

	General Fund	Debt Service Fund	OSFC Locally Funded Initiative Fund	OSFC Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Property Taxes	\$1,609,299	\$688,341	\$0	\$0	\$109,523	\$2,407,163
Intergovernmental	4,756,324	108,320	0	1,934	1,026,431	5,893,009
Interest	21,435	0	23,199	1,419	263	46,316
Tuition and Fees	816,070	0	0	0	35,207	851,277
Extracurricular Activities	0	0	0	0	54,776	54,776
Gifts and Donations	0	0	0	0	8,011	8,011
Customer Sales and Services	0	0	0	0	225,255	225,255
Miscellaneous	45,907	0	11,345	0	32,395	89,647
<b>Total Revenues</b>	<b>7,249,035</b>	<b>796,661</b>	<b>34,544</b>	<b>3,353</b>	<b>1,491,861</b>	<b>9,575,454</b>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	3,506,101	0	199	241,624	116,477	3,864,401
Special	923,841	0	0	0	252,627	1,176,468
Vocational	176,833	0	0	0	848	177,681
Student Intervention Services	18,130	0	0	0	0	18,130
<b>Support Services:</b>						
Pupils	291,452	0	0	0	0	291,452
Instructional Staff	650,280	0	0	26,715	112,623	789,618
Board of Education	72,186	0	0	0	0	72,186
Administration	783,491	0	0	0	44,564	828,055
Fiscal	281,586	21,268	0	0	3,398	306,252
Operation and Maintenance of Plant	639,571	0	0	174,323	232,249	1,046,143
Pupil Transportation	508,733	0	0	0	63,666	572,399
Central	8,398	0	0	0	0	8,398
<b>Operation of Non-Instructional Services:</b>						
Other	86,302	0	0	0	5,765	92,067
Food Services	0	0	0	0	464,891	464,891
Extracurricular Activities	130,015	0	0	0	67,499	197,514
Capital Outlay	1,000	0	915,887	789,391	0	1,706,278
<b>Debt Service:</b>						
Principal Retirement	0	300,000	0	0	0	300,000
Interest and Fiscal Charges	0	353,462	0	0	0	353,462
<b>Total Expenditures</b>	<b>8,077,919</b>	<b>674,730</b>	<b>916,086</b>	<b>1,232,053</b>	<b>1,364,607</b>	<b>12,265,395</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(828,884)</b>	<b>121,931</b>	<b>(881,542)</b>	<b>(1,228,700)</b>	<b>127,254</b>	<b>(2,689,941)</b>
<b>Other Financing Sources (Uses):</b>						
Transfers In	0	0	0	90,633	0	90,633
Transfers Out	0	0	(90,633)	0	0	(90,633)
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>(90,633)</b>	<b>90,633</b>	<b>0</b>	<b>0</b>
<b>Net Change in Fund Balances</b>	<b>(828,884)</b>	<b>121,931</b>	<b>(972,175)</b>	<b>(1,138,067)</b>	<b>127,254</b>	<b>(2,689,941)</b>
<b>Fund Balances at Beginning of Year</b>	<b>1,238,541</b>	<b>1,211,176</b>	<b>1,825,314</b>	<b>1,289,473</b>	<b>443,953</b>	<b>6,008,457</b>
<b>Fund Balances at End of Year</b>	<b>\$409,657</b>	<b>\$1,333,107</b>	<b>\$853,139</b>	<b>\$151,406</b>	<b>\$571,207</b>	<b>\$3,318,516</b>

See accompanying notes to the basic financial statements

**Fayetteville-Perry Local School District**  
 Reconciliation of the Statement of Revenues, Expenditures  
 and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2010

**Net Change in Fund Balances - Total Governmental Funds** (\$2,689,941)

**Amounts reported for governmental activities in the  
 Statement of Activities are different because:**

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital assets additions	1,706,278	
Depreciation expense	(540,274)	
Excess of depreciation expense under capital outlay		1,166,004

Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.

Delinquent property taxes	(5,791)	
Intergovernmental	34,504	
		28,713

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The difference in the amount of interest on the Statement of Activities is the result of the following:

Decrease in accrued interest payable	967	
Amortization of bond premium	4,602	
Amortization of bond issuance costs	(4,175)	
Amortization of loss on refunding	(3,695)	
		(2,301)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current fiscal year, these amounts consist of:

Bond payments		300,000
---------------	--	---------

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in compensated absences payable		3,946
--	--	-------

**Change in Net Assets of Governmental Activities** (\$1,193,579)

See accompanying notes to the basic financial statements

**Fayetteville-Perry Local School District**  
Statement of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property Taxes	\$1,860,696	\$1,651,452	\$1,651,452	\$0
Intergovernmental	4,826,496	4,756,324	4,756,324	0
Interest	22,214	21,891	21,435	(456)
Tuition and Fees	828,110	816,070	816,070	0
Miscellaneous	46,584	45,907	45,907	0
<i>Total Revenues</i>	<u>7,584,100</u>	<u>7,291,644</u>	<u>7,291,188</u>	<u>(456)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	3,663,034	3,508,926	3,508,926	0
Special	985,879	948,609	948,609	0
Vocational	190,820	182,457	182,457	0
Student Intervention Services	19,967	17,905	17,905	0
Support Services:				
Pupils	334,597	321,802	321,802	0
Instructional Staff	696,447	667,071	667,071	0
Board of Education	89,379	80,670	80,670	0
Administration	820,802	788,233	788,233	0
Fiscal	296,579	282,684	282,684	0
Operation and Maintenance of Plant	747,143	697,366	697,366	0
Pupil Transportation	584,640	533,448	533,448	0
Central	8,719	8,398	8,398	0
Operation of Non-Instructional Services	89,597	86,302	86,302	0
Extracurricular Activities	137,713	132,649	132,649	0
Capital Outlay	2,737	1,343	1,343	0
<i>Total Expenditures</i>	<u>8,668,053</u>	<u>8,257,863</u>	<u>8,257,863</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(1,083,953)	(966,219)	(966,675)	(456)
<i>Fund Balance at Beginning of Year</i>	1,633,258	1,633,258	1,633,258	0
<i>Prior Year Encumbrances Appropriated</i>	<u>94,935</u>	<u>94,935</u>	<u>94,935</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$644,240</u></u>	<u><u>\$761,974</u></u>	<u><u>\$761,518</u></u>	<u><u>(\$456)</u></u>

See accompanying notes to the basic financial statements

**Fayetteville-Perry Local School District**

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2010

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$3,235	<u>\$34,350</u>
<b>Liabilities:</b>		
Undistributed Monies	<u>0</u>	<u>\$34,350</u>
<b>Net Assets:</b>		
Held in Trust for Scholarships	<u>\$3,235</u>	

See accompanying notes to the basic financial statements

**Fayetteville-Perry Local School District**  
 Statement of Changes in Fiduciary Net Assets  
 Fiduciary Fund  
 For the Fiscal Year Ended June 30, 2010

	Private Purpose Trust
	Scholarship
<b><i>Additions:</i></b>	
Interest	\$9
 <i>Net Assets at Beginning of Year</i>	3,226
 <i>Net Assets at End of Year</i>	\$3,235

See accompanying notes to the basic financial statements

**This page intentionally left blank.**



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

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

The Fayetteville-Perry Local School District was established in 1895. The School District serves an area of approximately 62 square miles. It is located in Brown County and includes the Village of Fayetteville and Perry Township. The School District is staffed by 46 non-certificated employees, 64 certificated personnel and 10 administrative employees who provide services to 1,024 students and other community members. The School District currently operates two instructional buildings.

*Reporting Entity:*

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure 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 Fayetteville-Perry Local School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District participates in five organizations, three of which are defined as jointly governed organizations, one as a public entity shared risk and insurance purchasing pool, and one as an insurance purchasing pool. These organizations are the South Central Ohio Computer Association, the Southern Hills Joint Vocational School District, the Unified Purchasing Cooperative of the Ohio River Valley, the Brown County Schools Benefits Consortium, and the Ohio Association of School Business Officials Workers’ Compensation Group Rating Plan. These organizations are presented in notes 13, 14, and 15 of the basic financial statements.

*Fayetteville-Perry Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

---

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

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

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

*Government-wide Financial Statements*

The Statement of Net Assets and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The government-wide statements usually distinguish between those activities that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

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

*Fayetteville-Perry Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

---

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

*Fund Financial Statements*

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

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District fall within two categories, governmental and fiduciary.

*Governmental Funds*

Governmental funds are those through which most governmental functions of the School District typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

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

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

*Ohio School Facilities Commission (OSFC) Locally Funded Initiative Fund* - This fund is used to account for debt proceeds to be used to finance the local portion of the building renovation project that is not eligible for funding from the Ohio School Facilities Commission.

*Fayetteville-Perry Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

---

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

*Ohio School Facilities Commission (OSFC) Classroom Facilities Fund* - This fund is used to account for all intergovernmental monies, debt proceeds and interest received and expended in connection with the contracts entered into by the School District and the Ohio School Facilities Commission for the construction and renovation of classroom facilities.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

*Fiduciary Funds:*

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary funds are a private purpose trust fund and an agency fund. The private purpose trust fund accounts for college scholarship programs for students. The School District's agency fund accounts for those student activities which consist of a student body, a student president, a student treasurer, and a faculty advisor.

**C. Measurement Focus**

*Government-wide Financial Statements:*

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the School District are included on the Statement of Net Assets. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

*Fund Financial Statements:*

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

*Fayetteville-Perry Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

---

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

The private purpose trust fund is reported using the economic resources measurement focus.

**D. Basis of Accounting**

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

*Revenues - Exchange and Non-exchange Transactions:*

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Measurable” means that the amount of the transaction can be determined and “available” means that the resources are collectible within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See note 5). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a 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 to be both measurable and available at fiscal year-end: property taxes available for advance and grants.

*Deferred Revenue:*

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

*Fayetteville-Perry Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

---

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

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

*Expenses/Expenditures:*

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

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

**E. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2010, the School District's investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments are reported at fair value which, except for investments in open-end mutual funds, is based on quoted market prices. Fair value for investments in open-end mutual funds is based on the fund's current share price.

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 2010 amounted to \$21,435, which includes \$11,424 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

*Fayetteville-Perry Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

---

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

**F. Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of purchased food held for resale and consumable supplies.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

**H. Capital Assets**

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets usually result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Assets but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$2,500. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	5 years
Buildings and Improvements	20 - 40 years
Furniture, Fixtures and Equipment	8 - 10 years
Vehicles	10 years

**I. Bond Premiums/Issuance Costs/ Gain or Loss on Advance Refunding**

Bond premiums and issuance costs are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Bond premiums are presented as an addition of the face amount of the bonds payable whereas issuance costs are recorded as deferred charges.

*Fayetteville-Perry Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

---

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

On the governmental fund financial statements, bond premiums and issuance costs are recognized in the period in which the debt is issued.

In the government-wide financial statements, an advance refunding resulting in the defeasance of debt generates an accounting gain or loss calculated by comparing the reacquisition price and the net carrying amount of the old debt. This accounting gain/loss is amortized as interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an increase/reduction of the face amount of the new debt.

**J. Compensated Absences**

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for classified and certified employees after 14 years of current service with the School District.

The entire compensated absences liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the funds from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

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

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

**L. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivable" and "Interfund Payable." These amounts are eliminated in the governmental activities column of the statement of net assets.



*Fayetteville-Perry Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

---

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current fiscal year. Bonds that will be paid from governmental funds are recognized as an expenditure on the governmental fund financial statements when due.

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations and music and athletic programs, and federal and State grants restricted to expenditures for specified purposes.

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

**N. Fund Balance Reserves**

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute for fiscal year 2010.

**O. Internal Activity**

Transfers between government funds are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

*Fayetteville-Perry Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

---

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

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

**P. 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.

**Q. Budgetary Process**

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as final budgeted amounts reflect the amounts in the amended certificate that was in effect at the time the final appropriations were passed.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts in the budgetary statements reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year, including all supplemental appropriations. Prior to fiscal year-end, the School District passed a supplemental appropriation that matched appropriations to expenditures and encumbrances for the fiscal year in the General Fund.

*Fayetteville-Perry Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

---

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

<u>Net Change in Fund Balance</u>	
GAAP Basis	(\$828,884)
Adjustments:	
Revenue Accruals	42,153
Expenditure Accruals	(31,983)
Encumbrances	(147,961)
Budget Basis	<u><u>(\$966,675)</u></u>

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable 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.

*Fayetteville-Perry Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

---

**NOTE 4 - DEPOSITS AND INVESTMENTS** (continued)

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 held by the School District can be deposited or invested in the following securities:

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;
4. Bonds and other obligations of the State of Ohio;
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) above;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

Investments

As of June 30, 2010, the School District had the following investments, which are in an internal investment pool:

*Fayetteville-Perry Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

---

**NOTE 4 - DEPOSITS AND INVESTMENTS** (continued)

	Fair Value	Maturity	Standard and Poor's Rating
STAROhio	\$2,074,671	Average 56 Days	AAAm

Interest Rate Risk

The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk

Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

**NOTE 5 - PROPERTY TAXES**

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

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

Public utility property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009 and are collected in calendar year 2010 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

*Fayetteville-Perry Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

---

**NOTE 5 - PROPERTY TAXES** (continued)

Tangible personal property tax revenue received during calendar year 2010 (other than public utility property tax) represents the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Brown County. The Brown County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2010 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2010, was \$402,347 in the General Fund, \$175,021 in the Debt Service Fund and \$27,721 in the Other Governmental Funds. The amount available as an advance at June 30, 2009, was \$444,500 in the General Fund, \$193,151 in the Debt Service Fund and \$30,899 in the Other Governmental Funds.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2010 taxes were collected are:

**Fayetteville-Perry Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

**NOTE 5 - PROPERTY TAXES** (continued)

	2009 Second - Half Collections		2010 First - Half Collections	
	Amount	Percentage	Amount	Percentage
Real Estate	\$87,945,690	97.33%	\$92,002,530	97.50%
Public Utility Personal	2,140,660	2.37%	2,230,410	2.36%
General Business Personal	270,690	0.30%	135,345	0.14%
Total Assessed Value	<u>\$90,357,040</u>	<u>100.00%</u>	<u>\$94,368,285</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$39.80		\$39.80	

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2010, consisted of interfund, intergovernmental and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
<u>Governmental Activities:</u>	
IDEA-B Grant	\$7,176
Title I Grant	73,742
Drug Free Grant	1,535
Title II-A Grant	2,512
Title II-D Grant	1,071
Total Intergovernmental Receivables	<u>\$86,036</u>

**Fayetteville-Perry Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

**NOTE 7 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2010, was as follows:

	Balance at 6/30/09	Additions	Deductions	Balance at 6/30/10
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$89,380	\$0	\$0	\$89,380
Construction in Progress	0	131,111	0	131,111
Total Capital Assets Not Being Depreciated	89,380	131,111	0	220,491
Capital Assets Being Depreciated:				
Land Improvements	1,317,121	0	0	1,317,121
Buildings and Improvements	24,901,696	1,575,167	0	26,476,863
Furniture, Fixtures and Equipment	1,063,164	0	0	1,063,164
Vehicles	1,017,086	0	0	1,017,086
Totals Capital Assets Being Depreciated	28,299,067	1,575,167	0	29,874,234
Less Accumulated Depreciation:				
Land Improvements	(32,928)	(91,580)	0	(124,508)
Building and Improvements	(234,144)	(370,319)	0	(604,463)
Furniture, Fixtures and Equipment	(379,573)	(39,803)	0	(419,376)
Vehicles	(732,951)	(38,572)	0	(771,523)
Total Accumulated Depreciation	(1,379,596)	(540,274) *	0	(1,919,870)
Total Capital Assets Being Depreciated, Net	26,919,471	1,034,893	0	27,954,364
Governmental Activities Capital Assets, Net	\$27,008,851	\$1,166,004	\$0	\$28,174,855



*Fayetteville-Perry Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

---

**NOTE 7 - CAPITAL ASSETS** (continued)

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

Instruction:	
Regular	\$193,333
Special	30,327
Vocational	3,791
Support Services:	
Pupils	3,791
Instructional Staff	50,227
Administration	35,189
Fiscal	11,373
Operation and Maintenance of Plant	65,785
Pupil Transportation	82,729
Operation of Non-Instructional Services - Food Services	52,021
Extracurricular Activities	11,708
Total Depreciation Expense	<u><u>\$540,274</u></u>

**NOTE 8 - RISK MANAGEMENT**

**A. Property and Liability Insurance**

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 2010, the School District contracted with Ohio Casualty Insurance for general liability insurance with a \$1,000,000 single occurrence limit and a \$2,000,000 aggregate. Property is protected by Ohio Casualty Insurance and holds a \$1,000 deductible.

The School District's vehicles are covered by Ohio Casualty Insurance under a business policy and hold a \$500 deductible for comprehensive and collision, with a \$1,000,000 limit on any accident.

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

*Fayetteville-Perry Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

---

**NOTE 8 - RISK MANAGEMENT** (continued)

**B. Workers' Compensation**

For fiscal year 2010, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (note 15). 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 participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Uniservice, Incorporated, provides administrative, cost control, and actuarial services to the GRP.

**C. Employee Medical and Dental Benefits**

The School District participates in the Brown County Schools Benefits Consortium (the Consortium), a public entity shared risk and insurance purchasing pool (note 14) consisting of nine districts. The Consortium has elected to have United Healthcare provide medical coverage purchased as a group through the Consortium. Dental coverage is being provided through a shared risk pool based on member districts' number of employees. The School District is responsible for providing a current listing of enrolled employees and for providing timely pro-rata payments of premiums to the Consortium for employee health coverage and dental benefits. The Consortium is responsible for the management and operations of the program. Upon termination from the Consortium, for any reason, the terminated member assumes and is responsible for the payment of any delinquent contributions relating to the medical insurance and all claims related to dental of its employees from the date of termination, regardless of the date such claims were incurred.

**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

Plan Description – The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

*Fayetteville-Perry Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

---

**NOTE 9 - DEFINED BENEFIT PENSION PLANS** (continued)

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. A portion of the School District’s contribution is used to fund pension and death benefit obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension and death benefit obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District’s required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 were \$192,643, \$116,630, and \$113,000, respectively; 57.65 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**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 plan. 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 Street, Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://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 a member’s lifetime 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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.

*Fayetteville-Perry Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

---

**NOTE 9 - DEFINED BENEFIT PENSION PLANS** (continued)

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 of the DC Plan 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, 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, 2010, 2009, and 2008 were \$477,427, \$467,174, and \$455,076, respectively; 83.40 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$30,968 made by the School District and \$22,120 made by the plan members.

**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, 2010, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**NOTE 10 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

*Fayetteville-Perry Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

---

**NOTE 10 - POSTEMPLOYMENT BENEFITS** (continued)

Funding Policy – 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 contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, 0.46 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 2010, this amount was \$35,800.

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 School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$33,506, \$78,926, and \$70,430, respectively; 57.65 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2010, 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, 2010, 2009, and 2008 were \$11,456, \$9,623, and \$8,142, respectively; 57.65 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**B. State Teachers Retirement System of Ohio**

Plan Description – The School District contributes to the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – 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 postemployment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$36,725, \$35,936, and \$35,006, respectively; 83.40 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

*Fayetteville-Perry Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

**NOTE 11 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified and administrative employees earn 10 to 25 days of vacation per fiscal year, depending upon length of service. Teachers do not earn vacation time. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 216 days. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 50 days for teachers, administrators, and classified employees.

**B. Special Termination Benefit**

The School District offers an Early Retirement Incentive program to all employees who are eligible to retire from either SERS or STRS Ohio. If an employee chooses to retire in the first year in which they become eligible, they will be compensated for one-half of the accrued, but unused sick leave credit to a maximum of 103 days. During fiscal year 2010, two employees accepted the early retirement incentive and there was an outstanding balance at June 30 of \$15,658.

**C. Health Care Benefits**

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Lincoln National Insurance. Vision insurance is provided by the School District to all employees through Vision Service Plan.

**NOTE 12 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2010 were as follows:

	Amount Outstanding 6/30/09	Additions	Deductions	Amount Outstanding 6/30/10	Amounts Due in One Year
<u>Governmental Activities:</u>					
School Improvement Refunding					
Bonds 2006 3.75 - 4.50%	\$8,395,000	\$0	\$300,000	\$8,095,000	\$335,000
Premium on Refunding Bonds	115,050	0	4,602	110,448	0
Loss on Refunding	(92,363)	0	(3,695)	(88,668)	0
Compensated Absences	377,205	76,244	80,190	373,259	43,650
Total Governmental Activities					
Long-Term Obligations	<u>\$8,794,892</u>	<u>\$76,244</u>	<u>\$381,097</u>	<u>\$8,490,039</u>	<u>\$378,650</u>

*Fayetteville-Perry Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

---

**NOTE 12 - LONG-TERM OBLIGATIONS** (continued)

School Improvement Refunding Bonds 2006

The School District issued \$8,850,000 in general obligation bonds for the purpose of retiring the Classroom Facilities Bond Anticipation Notes, currently refunding \$340,000 of the 1995 School Improvement Bonds and advance refunding \$1,615,000 of the 1996 School Improvement Bonds. Of these bonds, \$3,390,000 are serial bonds and \$5,460,000 are term bonds. The bonds were issued for a 28 year period with final maturity on December 1, 2033. The bonds will be retired with property taxes from the Debt Service Fund.

The term bonds maturing on December 1, 2021, are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1, in the years and in the respective principal amounts as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2018	\$440,000
2019	260,000
2020	230,000
2021	240,000
2022	255,000
Total	<u><u>\$1,425,000</u></u>

The term bonds maturing on December 1, 2026, are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1, in the years and in the respective principal amounts as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2023	\$265,000
2024	275,000
2025	285,000
2026	300,000
2027	310,000
Total	<u><u>\$1,435,000</u></u>

**Fayetteville-Perry Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

**NOTE 12 - LONG-TERM OBLIGATIONS** (continued)

The term bonds maturing on December 1, 2033, are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1, in the years and in the respective principal amounts as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2028	\$325,000
2029	340,000
2030	355,000
2031	370,000
2032	385,000
2033	405,000
2034	420,000
Total	<u><u>\$2,600,000</u></u>

The advance refunding of the 1996 School Improvement Bonds resulted in a difference of \$102,192 between the net carrying amount of the debt and the acquisition price. This difference, reported in the accompanying financial statements as a decrease to bonds payable, is being amortized to interest expense over the life of the bonds using the straight-line method.

The School District defeased the 1996 School Improvement Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments due on the old bonds. Accordingly, the trust assets and the liability of the defeased bonds are not included in the School District's financial statements. As of June 30, 2010, \$1,360,000 of the bonds was unmatured and unpaid.

Principal and interest requirements to retire the school improvement refunding bonds outstanding at June 30, 2010, are as follows:

<u>School Improvement Refunding Bonds 2007</u>			
<u>Fiscal year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$335,000	\$341,311	\$676,311
2012	345,000	328,135	673,135
2013	360,000	314,208	674,208
2014	380,000	299,218	679,218
2015	390,000	283,238	673,238
2016-2020	1,755,000	1,167,307	2,922,307
2021-2025	1,320,000	865,508	2,185,508
2026-2030	1,630,000	544,252	2,174,252
2031-2034	1,580,000	146,025	1,726,025
Total	<u><u>\$8,095,000</u></u>	<u><u>\$4,289,202</u></u>	<u><u>\$12,384,202</u></u>



*Fayetteville-Perry Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

---

**NOTE 12 - LONG-TERM OBLIGATIONS** (continued)

Compensated absences will be paid from the General Fund and the Food Service Special Revenue Fund.

The School District's overall legal debt margin was \$1,719,072 with an unvoted debt margin of \$94,233 at June 30, 2010.

**NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS**

**A. South Central Ohio Computer Association**

The School District is a participant in the South Central Ohio Computer Association (SCOCA), which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Adams, Brown, Highland, Pike, Ross, Scioto, Vinton, Jackson, Lawrence, Pickaway, and Gallia 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. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District paid SCOCA \$61,357 for services provided during the fiscal year. Financial information can be obtained from the fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, Treasurer, at P.O. Box 577, 175 Beaver Creek Rd., Piketon, Ohio, 45661.

**B. Southern Hills Joint Vocational School District**

The Southern Hills Joint Vocational School District is a distinct political subdivision of the State of Ohio, operated under the direction of a seven-member Board of Education. The Board of Education is not directly elected. It is comprised of members of other elected boards who, by charter, also serve as board members of the Southern Hills Joint Vocational School District. A board member is appointed by each local Board of Education within the Southern Hills Joint Vocational School District, including Fayetteville-Perry Local School District. To obtain financial information, write to the Southern Hills Joint Vocational School District, Michael Boyd, who serves as Treasurer, at 9193 Hamer Road, Georgetown, Ohio 45121.

**C. Unified Purchasing Cooperative of the Ohio River Valley**

The Unified Purchasing Cooperative of the Ohio River Valley (UPC) is a purchasing cooperative made up of 44 public school districts and three joint vocational school districts in Brown, Butler, Clermont and Hamilton Counties in Ohio, as well as districts in Kentucky and Indiana. The purpose of the cooperative is to obtain 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 UPC.

*Fayetteville-Perry Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

---

**NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS** (continued)

The Board of Directors is elected from among the active members and consists of one representative each from Brown, Butler, Clermont and Hamilton Counties, as well as one representative from Kentucky, one from Indiana, and one at-large representative from a public school district with an enrollment greater than 5,000 students. In addition, the superintendents of the Hamilton County Educational Service Center and the Clermont County Educational Service Center also serve on the Board of Directors. The Hamilton County Educational Service Center serves as fiscal agent.

Financial information can be obtained from Don Rabe, Treasurer, Hamilton County Educational Service Center, at 11083 Hamilton Avenue, Cincinnati, Ohio, 45231.

**NOTE 14 - PUBLIC ENTITY SHARED RISK AND INSURANCE PURCHASING POOL**

**Brown County Schools Benefits Consortium**

The Brown County Schools Benefits Consortium, a public entity shared risk and insurance purchasing pool, currently operates to provide medical insurance (insurance purchasing pool) and dental coverage (public entity shared risk pool) to enrolled employees of the consortium members and to eligible dependents of those enrolled employees. Six Brown County school districts (Eastern, Fayetteville-Perry, Georgetown, Ripley Union Lewis Huntington, Southern Hills Joint Vocational, and Western Brown Schools) and two Highland County school districts (Bright Local and Lynchburg-Clay Local School District) along with the Brown County Educational Service Center have entered into an agreement to form the Brown County Schools Benefits Consortium. The Consortium is governed by a nine member board consisting of the superintendents of each participating school district along with the superintendent of the Brown County Educational Service Center. The overall objectives of the consortium are to formulate and administer a program of medical and dental insurance for the benefit of the consortium members' employees and their dependents. The consortium contracts with United Healthcare to provide medical insurance directly to consortium member employees. The Educational Service Center pays premiums to the consortium based on employee membership. For dental coverage the consortium acts as a public entity shared risk pool. Each member district pays dental premiums based on the consortium estimates of future claims. If the member district's dental claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the member district's claims are low, it will not receive a refund. Dental coverage is administered through a third party administrator, Dental Care Plus. Participating member districts pay an administrative fee to the fiscal agent to cover the costs associated with the administering of the Consortium. To obtain financial information write to the Brown County Educational Service Center at 325 West State St., Georgetown, Ohio 45121.

*Fayetteville-Perry Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

**NOTE 15 - INSURANCE PURCHASING POOL**

**Ohio Association of School Business Officials Workers' Compensation Group Rating Plan**

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP) was established through the Ohio Association of School Business Officials (OASBO) as a group insurance purchasing pool.

The GRP's business and affairs are conducted by a five member Board of Directors. Each fiscal year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

**NOTE 16 - 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 instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

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

	Textbooks and Instructional Materials	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2009	(\$666,708)	\$0
Current Fiscal Year Set-aside Requirement	153,435	153,435
Current Fiscal Year Qualifying Disbursements	(65,265)	(240,813)
Totals	(\$578,538)	(\$87,378)
Set-aside Reserve Balance as of June 30, 2010	\$0	\$0
Required Set-aside Balances Carried Forward to FY 2011	(\$578,538)	\$0

Although the School District had offsets and qualifying disbursements during the fiscal year that reduced the set-aside amounts to below zero for textbooks and instructional materials and capital acquisition, only the amount for the textbooks and instructional materials set-aside may be used to reduce the set-aside requirement of future fiscal years. The capital acquisition negative amount is therefore not presented as being carried forward to the next fiscal year.

*Fayetteville-Perry Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

---

**NOTE 17 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2010.

**B. Litigation**

The School District is not party to any legal proceedings.

**NOTE 18 - INTERFUND ACTIVITY**

Transfers made during the fiscal year ended June 30, 2010, were as follows:

		Transfer To
Transfer From	OSFC Locally Funded Initiative Fund	OSFC Classroom Facilities Fund <hr style="border: 0.5px solid black;"/> \$90,633 <hr style="border: 0.5px solid black;"/>

Transfers were made to cover the local share of the OSFC project.

As of June 30, 2010, receivables and payables that resulted from various interfund transactions were as follows:

		Receivable
Payable	Other Governmental Funds	General Fund <hr style="border: 0.5px solid black;"/> \$3,302 <hr style="border: 0.5px solid black;"/>

The amounts due to the General Fund are the result of the School District moving unrestricted balances to support programs and projects accounted for in other funds. The General Fund will be reimbursed when funds become available in the Other Governmental Funds. All amounts are expected to be repaid in one year.

*Fayetteville-Perry Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010  
(Continued)

---

**NOTE 19 - CONSTRUCTION COMMITMENTS**

The School District contracted for the construction of a new athletic complex. The project began in fiscal year 2010 and will be completed in fiscal year 2011. The significant outstanding construction commitments at June 30, 2010 are as follows:

Contractor	Total Contract Amount	Amount Expended	Balance at 6/30/2010
Cox Paving	\$813,593	\$134,471	\$679,122

**This page intentionally left blank.**

**FAYETTEVILLE-PERRY LOCAL DISTRICT  
BROWN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>					
<i>Passed through Ohio Department of Education:</i>					
Food Distribution Program	10.55	\$ -	\$ 60,265	\$ -	\$ 60,265
Nutrition Cluster:					
National School Breakfast Program	10.553	43,740	----	43,740	----
National School Lunch	10.555	130,914	----	130,914	----
<b>Total U.S. Department of Agriculture</b>		<b>174,654</b>	<b>60,265</b>	<b>174,654</b>	<b>60,265</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>					
<i>Passed through Ohio Department of Education:</i>					
Education Consolidation and Improvement Act					
Title I - FY 10	84.010	80,441	----	83,483	----
ARRA-Title I	84.389	13,040	----	12,482	----
<i>Total Title I</i>		93,481	-	95,965	-
Special Education Cluster:					
Special Education Grants to States					
IDEA Part B - FY10	84.027	163,568		164,945	
ARRA-IDEA Part B	84.391	111,410		111,372	
<i>Total Special Education Cluster</i>		274,978		276,317	
Drug Free Schools					
Drug Free Education - Subsidy - FY 10	84.186	1,762	----	1,762	----
<i>Total Drug Free School Grants</i>		1,762	-	1,762	-
Additional Programs:					
Educational Technology - FY 10	84.318	100		919	----
Improving Teacher Quality - FY 10	84.367	36,671	----	36,671	----
<i>Total Additional Programs</i>		36,771	-	37,590	-
ARRA-State Fiscal Stabilization Fund (SFSF)					
Total Vocational Education	84.394	301,328	----	229,152	----
		301,328		229,152	
<b>Total Department of Education</b>		<b>708,320</b>	<b>-</b>	<b>640,786</b>	<b>-</b>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>		<b>\$ 882,974</b>	<b>\$ 60,265</b>	<b>\$ 815,440</b>	<b>\$ 60,265</b>

The accompanying notes to this schedule are an integral part of this schedule.

**FAYETTEVILLE-PERRY LOCAL SCHOOL DISTRICT  
BROWN COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports 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 Government assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

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





# 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*

Fayetteville Perry Local School District  
Brown County  
501 S. Apple Street  
Fayetteville, Ohio 45118-0281

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fayetteville-Perry Local School District, Brown County, Ohio (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 24, 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 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 District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

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 combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

### **Compliance and Other Matters**

As part of reasonably assuring whether the 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Fayetteville-Perry Local School District  
Brown County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and On Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 24, 2011.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

February 24, 2011



# 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

Fayetteville-Perry Local School District  
Brown County  
501 S. Apple Street  
Fayetteville, Ohio 45118-0281

To the Board of Education:

### Compliance

We have audited the compliance of Fayetteville-Perry Local School District, Brown County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Fayetteville-Perry Local School District's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The 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 District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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*. Those 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 District's compliance with those 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 District's compliance with those requirements.

In our opinion, the Fayetteville-Perry 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, 2010.

### Internal Control Over Compliance

The 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 District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining 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 District's internal control over compliance.

Fayetteville-Perry Local School District  
Brown County  
Independent Accountants' Report on Compliance With  
Requirements Applicable to Each Major Federal Program  
And On Internal Control Over Compliance in Accordance  
With OMB Circular A-133  
Page 2

*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.

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

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated February 24, 2011.

We intend this report solely for the information and use of the audit 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 24, 2011

**FAYETTEVILLE- PERRY LOCAL SCHOOL DISTRICT  
BROWN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	No
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education Cluster CFDA: 84.027 and 84.391 ARRA State Fiscal Stabilization Fund CFDA: 84.394
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

**This page intentionally left blank.**

**FAYETTEVILLE-PERRY LOCAL SCHOOL DISTRICT  
BROWN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2009-001	The District's depository did not maintain security for district deposits in the amount required by Ohio Law.	Yes	

**This Page is Intentionally Left Blank.**





# Dave Yost • Auditor of State

FAYETTEVILLE-PERRY LOCAL SCHOOL DISTRICT

BROWN 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  
MARCH 10, 2011