



Dave Yost • Auditor of State

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Fayette Local School District
Fulton County
400 East Gamble Road
Fayette, Ohio 43521-9462

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 Fayette Local School District, Fulton 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 opinion.

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 Fayette Local School District, Fulton County, Ohio, as of June 30, 2010, and the respective changes in financial position, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

Dave Yost
Auditor of State

February 24, 2011

Fayette Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

The discussion and analysis of Fayette Local School District's (the District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Highlights for fiscal year 2010 are as follows:

In total, net assets decreased \$857,570 or 5 percent from the prior fiscal year. There was very little change in revenues and a 17 percent decrease in expenses; however, expenses were still in excess of revenues for the fiscal year and cash carryover spending led to this decrease (a significant portion of which was the return of unspent construction resources to the Ohio School Facilities Commission).

General revenues accounted for 82 percent of total revenues and reflect the School District's significant dependence on property taxes and unrestricted state entitlements.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand Fayette Local School District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other nonmajor funds presented in total in a single column. For Fayette Local School District, the General Fund, the Bond Retirement debt service fund, and the Building capital projects fund are the most significant funds.

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2010. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the School District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Nonfinancial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

Fayette Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

In the statement of net assets and the statement of activities, all of the School District's activities are presented as governmental activities. All of the School District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major funds are the General Fund, the Bond Retirement debt retirement fund, and the Building capital projects fund.

Governmental Funds - All of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial 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 less financial resources that can be spent in the near future to finance educational programs.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

The School District as a Whole

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

Table 1 Net Assets		Governmental Activities		
		2010	2009	Change
<u>Assets:</u>				
Current and Other Assets		\$4,483,840	\$5,427,086	(\$943,246)
Capital Assets, Net		17,502,644	17,468,668	33,976
Total Assets		21,986,484	22,895,754	(909,270)
<u>Liabilities:</u>				
Current and Other Liabilities		\$1,783,429	\$1,789,817	\$6,388
Long-Term Liabilities		5,282,683	5,327,995	45,312
Total Liabilities		7,066,112	7,117,812	51,700

Fayette Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Table 1
Net Assets
(continued)

Net Assets:

Invested in Capital Assets,

Net of Related Debt	12,537,277	12,447,416	89,861
Restricted	1,376,434	2,140,627	(764,193)
Unrestricted	1,006,661	1,189,899	(183,238)
Total Net Assets	<u>\$14,920,372</u>	<u>\$15,777,942</u>	<u>(\$857,570)</u>

The above table reflects several changes of note from the prior fiscal year. The decrease in current and other assets includes a decrease in cash and cash equivalents of over \$807,000 due, in large part, to monies received from the Ohio School Facilities Commission (OSFC) for building construction which were in excess of construction costs and had to be returned to the OSFC. In addition, there was a reduction in intergovernmental receivables due to the completion of the construction project. Both of these factors contributed to the reduction in restricted net assets. A reduction in income taxes receivable, a reflection of the poor economic conditions, and a decrease in the receivable for payment in lieu of taxes, which was based on tangible personal property taxes which the State has eliminated, combined with several other modest decreases led to the decrease in unrestricted net assets.

Table 2 reflects the changes in net assets for fiscal year 2010 and fiscal year 2009.

Table 2
Change in Net Assets

	<u>Governmental Activities 2010</u>	<u>Governmental Activities 2009</u>	<u>Change</u>
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$246,475	\$274,898	(\$28,423)
Operating Grants and Contributions	705,983	648,405	57,578
Capital Grants and Contributions		6,234	(6,234)
Total Program Revenues	<u>952,458</u>	<u>929,537</u>	<u>22,921</u>

(continued)

Fayette Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Table 2
Change in Net Assets
(continued)

	Governmental Activities 2010	Governmental Activities 2009	Change
<u>Revenues (continued)</u>			
General Revenues			
Property Taxes Levied for General Purposes	\$1,025,576	\$1,031,510	(\$5,934)
Property Taxes Levied for Debt Service	252,397	245,594	6,803
Property Taxes Levied for Maintenance	16,399	16,368	31
Income Taxes Levied for General Purposes	355,411	418,013	(62,602)
Grants and Entitlements	2,654,628	2,361,708	292,920
Payment in Lieu of Taxes		50,017	(50,017)
Interest	14,106	73,387	(59,281)
Gifts and Donations	180	1,577	(1,397)
Miscellaneous	37,258	135,364	(98,106)
Total General Revenues	<u>4,355,955</u>	<u>4,333,538</u>	<u>22,417</u>
Total Revenues	<u>5,308,413</u>	<u>5,263,075</u>	<u>45,338</u>
<u>Expenses</u>			
Instruction:			
Regular	2,868,273	3,836,416	968,143
Special	726,807	633,332	(93,475)
Vocational	109,807	113,607	3,800
Support Services:			
Pupils	317,797	387,620	69,823
Instructional Staff	169,223	202,492	33,269
Board of Education	13,080	21,973	8,893
Administration	412,852	456,760	43,908
Fiscal	199,297	227,585	28,288
Operation and Maintenance of Plant	396,503	503,218	106,715
Pupil Transportation	244,393	240,092	(4,301)
Central	14,404	29,918	15,514
Non-Instructional Services	235,688	244,489	8,801
Extracurricular Activities	223,829	265,478	41,649
Interest and Fiscal Charges	234,030	236,103	2,073
Total Expenses	<u>6,165,983</u>	<u>7,399,083</u>	<u>1,233,100</u>
Decrease in Net Assets	(857,570)	(2,136,008)	1,278,438
Net Assets at Beginning of Year	15,777,942	17,913,950	(2,136,008)
Net Assets at End of Year	<u>\$14,920,372</u>	<u>\$15,777,942</u>	<u>(\$857,570)</u>

Total revenues changed less than 1 percent from the prior fiscal year. The economic conditions of the past year are reflected in the decreases in income tax and interest revenues. Both operating grants and contributions and unrestricted grants and entitlements increased due to additional resources received as a result of the American Recovery and Reinvestment Act.

Fayette Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Program expenses decreased 17 percent in fiscal year 2010 and is largely due to furnishing and equipping the new school in the prior fiscal year. The major program expense for governmental activities continues to be for instruction, which accounted for 60 percent of all governmental expenses in fiscal year 2010. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for 12 percent of governmental expenses. Maintenance of the School District's facilities also represents a significant expense, at 6 percent. Therefore, 78 percent of the School District's expenses are related directly to providing facilities and delivering education.

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2010	2009	2010	2009
Instruction:				
Regular	\$2,868,273	\$3,836,416	\$2,625,282	\$3,549,758
Special	726,807	633,332	281,751	260,322
Vocational	109,807	113,607	86,815	90,786
Support Services:				
Pupils	317,797	387,620	317,797	387,620
Instructional Staff	169,223	202,492	169,223	202,492
Board of Education	13,080	21,973	13,080	21,973
Administration	412,852	456,760	412,852	456,760
Fiscal	199,297	227,585	199,297	227,585
Operation and Maintenance of Plant	396,503	503,218	396,503	501,918
Pupil Transportation	244,393	240,092	244,393	235,158
Central	14,404	29,918	9,404	15,918
Non-Instructional Services	235,688	244,489	41,064	60,673
Extracurricular Activities	223,829	265,478	182,034	222,480
Interest and Fiscal Charges	234,030	236,103	234,030	236,103
Total Expenses	<u>\$6,165,983</u>	<u>\$7,399,083</u>	<u>\$5,213,525</u>	<u>\$6,469,546</u>

Fayette Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

The above table demonstrates that both the total cost and net cost of services decreased substantially from the prior fiscal year (due to expenses in the prior fiscal year to furnish and equip the new building); however, the percentage of costs provided for through general revenues remained very similar. Only several of the School District's programs receive notable support from program revenues. Approximately 61 percent of special instruction costs are provided for through programs revenues. This is the result of various grants restricted for special instruction purposes. Over 82 percent of the non-instructional services costs were covered by program revenues. This is primarily due to cafeteria sales, state and federal subsidies, and donated commodities for food service operations. Approximately 19 percent of extracurricular activities expenses are covered by program revenues. These program revenues are the result of music and athletic fees, ticket sales, and gate receipts at musical and athletic events.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. For the General Fund, fund balance decreased \$142,196 or almost 11 percent from the prior fiscal year. The 6 percent decrease in revenues can, in part, be attributed to economic conditions with lower income tax and interest revenues. While expenditures also experienced a decrease, 7 percent, expenditures in excess of revenues resulted in cash carryover spending.

The change in fund balance in the Bond Retirement debt service fund was not significant.

The increase in fund balance in the Building capital project fund reflects resources left over from the Ohio School Facilities Commission monies that the School District was able to retain to construct a wind turbine.

General Fund Budgeting Highlights

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

During fiscal year 2010, the School District amended its General Fund budget as needed. For revenues, changes from the original budget to the final budget as well as changes from the final budget to actual revenues were not significant.

For expenditures, changes from the original budget to the final budget were not significant; however, actual expenditures were over 12 percent less than budgeted amounts based on a conservative budgeting approach.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2010, the School District had \$17,502,644 invested in capital assets (net of accumulated depreciation). Major acquisitions consisted of construction on the wind turbine and the acquisition of a bus. Disposals were minimal. For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

Debt

The School District's outstanding debt at fiscal year end consisted of general obligation bonds, in the amount of \$5,062,319. The School District's long-term obligations also include compensated absences and capital leases. For further information regarding the School District's long-term obligations, refer to Note 16 to the basic financial statements.

Fayette Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Current Issues

During fiscal year 2008, the School District completed construction of the new school building. The building was furnished and equipped in fiscal year 2009 in time for students to begin the school year in the new facility.

The School District is in the process of constructing a wind turbine on the south area of the property to produce enough electricity to save approximately one-third of our energy costs per year.

The athletic department, along with the boosters, is working on the development of the outside athletic fields. This will include a track, two baseball fields, and a concession and restroom facility.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Kelly Bentley, Treasurer, Fayette Local School District, 400 East Gamble Road, P.O. Box 309, Fayette, Ohio 43521-9462.

Fayette Local School District
Statement of Net Assets
June 30, 2010

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$2,858,252
Accounts Receivable	7,664
Accrued Interest Receivable	2,020
Intergovernmental Receivable	15,295
Inventory Held for Resale	6,873
Materials and Supplies Inventory	1,386
Income Taxes Receivable	148,223
Property Taxes Receivable	1,352,691
Unamortized Issuance Cost	91,436
Nondepreciable Capital Assets	697,251
Depreciable Capital Assets, Net	16,805,393
Total Assets	21,986,484
 <u>Liabilities:</u>	
Accounts Payable	17,868
Accrued Wages and Benefits Payable	397,219
Intergovernmental Payable	127,953
Matured Compensated Absences Payable	15,067
Separation Benefits Payable	11,400
Deferred Revenue	1,197,926
Accrued Interest Payable	15,996
Long-Term Liabilities:	
Due Within One Year	173,101
Due in More Than One Year	5,109,582
Total Liabilities	7,066,112
 <u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	12,537,277
Restricted For:	
Debt Service	166,944
Capital Projects	1,028,895
Other Purposes	180,595
Unrestricted	1,006,661
Total Net Assets	\$14,920,372

See Accompanying Notes to Basic Financial Statements

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Fayette Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2010

	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
<u>Governmental Activities:</u>			
Instruction:			
Regular	\$2,868,273	\$115,233	\$127,758
Special	726,807	1,736	443,320
Vocational	109,807		22,992
Support Services:			
Pupils	317,797		
Instructional Staff	169,223		
Board of Education	13,080		
Administration	412,852		
Fiscal	199,297		
Operation and Maintenance of Plant	396,503		
Pupil Transportation	244,393		
Central	14,404		5,000
Non-Instructional Services	235,688	87,711	106,913
Extracurricular Activities	223,829	41,795	
Interest and Fiscal Charges	234,030		
Total Governmental Activities	<u>\$6,165,983</u>	<u>\$246,475</u>	<u>\$705,983</u>

General Revenues:

Property Taxes Levied for General Purposes
Property Taxes Levied for Debt Service
Property Taxes Levied for Maintenance
Income Taxes Levied for General Purposes
Grants and Entitlements not Restricted to Specific Programs
Interest
Gifts and Donations
Miscellaneous
Total General Revenues

Change in Net Assets

Net Assets at Beginning of Year - Restated (Note 3)

Net Assets at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue
and Change in
Net Assets

Governmental
Activities

(\$2,625,282)
(281,751)
(86,815)

(317,797)
(169,223)
(13,080)
(412,852)
(199,297)
(396,503)
(244,393)
(9,404)
(41,064)
(182,034)
(234,030)

(5,213,525)

1,025,576
252,397
16,399
355,411
2,654,628
14,106
180
37,258

4,355,955

(857,570)

15,777,942

\$14,920,372

Fayette Local School District
Balance Sheet
Governmental Funds
June 30, 2010

	General	Bond Retirement	Building	Other Governmental	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$1,483,573	\$151,652	\$1,028,330	\$194,697	\$2,858,252
Accounts Receivable	7,664				7,664
Accrued Interest Receivable	2,020				2,020
Interfund Receivable	1,308				1,308
Intergovernmental Receivable				15,295	15,295
Inventory Held for Resale				6,873	6,873
Materials and Supplies Inventory				1,386	1,386
Income Taxes Receivable	148,223				148,223
Property Taxes Receivable	1,077,527	257,935		17,229	1,352,691
Total Assets	<u>\$2,720,315</u>	<u>\$409,587</u>	<u>\$1,028,330</u>	<u>\$235,480</u>	<u>\$4,393,712</u>
<u>Liabilities and Fund Balances:</u>					
<u>Liabilities</u>					
Accounts Payable	\$12,462			\$5,406	\$17,868
Accrued Wages and Benefits Payable	385,824			11,395	397,219
Interfund Payable				1,308	1,308
Intergovernmental Payable	116,512			11,441	127,953
Matured Compensated Absences Payable	15,067				15,067
Deferred Revenue	1,017,977	\$235,063		17,433	1,270,473
Total Liabilities	<u>1,547,842</u>	<u>235,063</u>		<u>46,983</u>	<u>1,829,888</u>
<u>Fund Balances:</u>					
Reserved for Property Taxes	88,548	22,872		1,480	112,900
Reserved for Encumbrances	49,056		\$701,925	7,327	758,308
Unreserved, Reported in:					
General Fund	1,034,869				1,034,869
Special Revenue Funds				179,625	179,625
Debt Service Fund		151,652			151,652
Capital Projects Funds			326,405	65	326,470
Total Fund Balances	<u>1,172,473</u>	<u>174,524</u>	<u>1,028,330</u>	<u>188,497</u>	<u>2,563,824</u>
Total Liabilities and Fund Balances	<u>\$2,720,315</u>	<u>\$409,587</u>	<u>\$1,028,330</u>	<u>\$235,480</u>	<u>\$4,393,712</u>

See Accompanying Notes to the Basic Financial Statements

Fayette Local School District
 Reconciliation of Total Governmental Fund Balances
 to Net Assets of Governmental Activities
 June 30, 2010

Total Governmental Fund Balances \$2,563,824

Amounts reported for governmental activities on the statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 17,502,644

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:

Accounts Receivable	6,729	
Accrued Interest Receivable	16	
Intergovernmental Receivable	1,684	
Income Taxes Receivable	22,253	
Property Taxes Receivable	41,865	72,547

Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds. 91,436

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Separation Benefits Payable	(11,400)	
Accrued Interest Payable	(15,996)	
General Obligation Debt Payable	(5,062,319)	
Compensated Absences Payable	(163,560)	
Capital Leases Payable	(56,804)	(5,310,079)

Net Assets of Governmental Activities \$14,920,372

See Accompanying Notes to the Basic Financial Statements

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

	General	Bond Retirement	Building	Other Governmental	Total Governmental Funds
Revenues:					
Property Taxes	\$1,018,523	\$250,672		\$16,286	\$1,285,481
Income Taxes	355,604				355,604
Payment in Lieu of Taxes	50,017				50,017
Intergovernmental	2,617,632	87,742		687,777	3,393,151
Interest	17,378			136	17,514
Tuition and Fees	117,338				117,338
Extracurricular Activities				41,795	41,795
Charges for Services				87,711	87,711
Gifts and Donations				180	180
Miscellaneous	9,433			27,825	37,258
Total Revenues	4,185,925	338,414		861,710	5,386,049
Expenditures:					
Current:					
Instruction:					
Regular	2,148,346			88,486	2,236,832
Special	455,495			240,988	696,483
Vocational	96,636				96,636
Support Services:					
Pupils	277,769			37,206	314,975
Instructional Staff	134,206			20,724	154,930
Board of Education	13,080				13,080
Administration	392,148			9,576	401,724
Fiscal	176,803	6,233		12,680	195,716
Operation and Maintenance of Plant	258,697			128,113	386,810
Pupil Transportation	281,521			4,677	286,198
Central	6,786			7,618	14,404
Non-Instructional Services	3,500			186,867	190,367
Extracurricular Activities	139,908			48,406	188,314
Capital Outlay			\$433,556	349,342	782,898
Debt Service:					
Principal Retirement	20,643	115,000			135,643
Interest and Fiscal Charges		214,356			214,356
Total Expenditures	4,405,538	335,589	433,556	1,134,683	6,309,366
Excess of Revenues Over (Under) Expenditures	(219,613)	2,825	(433,556)	(272,973)	(923,317)
Other Financing Sources (Uses):					
Inception of Capital Leases	77,447				77,447
Transfers In			1,011,234	30	1,011,264
Transfers Out	(30)			(1,011,234)	(1,011,264)
Total Other Financing Sources (Uses)	77,417		1,011,234	(1,011,204)	77,447
Changes in Fund Balances	(142,196)	2,825	577,678	(1,284,177)	(845,870)
Fund Balances at Beginning of Year	1,314,669	171,699	450,652	1,472,674	3,409,694
Fund Balances at End of Year	<u>\$1,172,473</u>	<u>\$174,524</u>	<u>\$1,028,330</u>	<u>\$188,497</u>	<u>\$2,563,824</u>

See Accompanying Notes to the Basic Financial Statements

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

Changes in Fund Balances - Total Governmental Funds (\$845,870)

Amounts reported for governmental activities on the statement of activities are different because of the following:

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

Capital Outlay - Nondepreciable Capital Assets	375,643	
Capital Outlay - Depreciable Capital Assets	105,146	
Depreciation	<u>(440,817)</u>	39,972

The book value of capital assets is removed from the capital asset account on the statement of net assets when disposed of resulting in a loss on disposal of capital assets on the statement of activities. (5,996)

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Property Taxes	8,891	
Income Taxes	(193)	
Payment in Lieu of Taxes	(50,017)	
Intergovernmental	(32,540)	
Interest	(3,408)	
Tuition and Fees	<u>(369)</u>	(77,636)

Repayment of principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities on the statement of net assets.

General Obligation Bonds Payable	115,000	
Capital Leases Payable	<u>20,643</u>	135,643

The inception of a capital lease is reported as an other financing source in the governmental funds but increases long-term liabilities on the statement of statement of net assets. (77,447)

Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net assets.

Accrued Interest Payable	359	
Annual Accretion on Capital Appreciation Bonds	<u>(17,722)</u>	(17,363)

Issuance costs are reported as an expenditure when paid in the governmental funds but are amortized over the life of the debt on the statement of activities. (2,311)

Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Separation Benefits Payable	(11,400)	
Compensated Absences Payable	4,838	
		<u>(6,562)</u>

Change in Net Assets of Governmental Activities (\$857,570)

Fayette 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 Over (Under)
	Original	Final		(Under)
<u>Revenues:</u>				
Property Taxes	\$982,075	\$982,075	\$1,008,990	\$26,915
Income Taxes	389,850	389,850	385,650	(4,200)
Payment in Lieu of Taxes			50,017	50,017
Intergovernmental	2,532,742	2,562,742	2,617,632	54,890
Interest	20,000	20,000	21,686	1,686
Tuition and Fees	118,500	118,500	117,483	(1,017)
Miscellaneous	150,417	151,417	8,600	(142,817)
Total Revenues	<u>4,193,584</u>	<u>4,224,584</u>	<u>4,210,058</u>	<u>(14,526)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	2,163,942	2,289,523	2,173,955	115,568
Special	510,660	543,266	449,329	93,937
Vocational	106,967	109,767	97,764	12,003
Support Services:				
Pupils	362,376	341,814	278,516	63,298
Instructional Staff	213,672	199,604	134,049	65,555
Board of Education	45,510	45,510	13,080	32,430
Administration	412,126	420,226	385,635	34,591
Fiscal	203,831	203,031	181,592	21,439
Operation and Maintenance of Plant	432,876	360,652	286,946	73,706
Pupil Transportation	250,894	260,329	220,333	39,996
Central	42,150	42,150	6,757	35,393
Non-Instructional Services	3,000	3,500	3,500	
Extracurricular Activities	148,765	148,765	139,282	9,483
Capital Outlay	18,249	18,249		18,249
Total Expenditures	<u>4,915,018</u>	<u>4,986,386</u>	<u>4,370,738</u>	<u>615,648</u>
Excess of Revenues Under Expenditures	<u>(721,434)</u>	<u>(761,802)</u>	<u>(160,680)</u>	<u>601,122</u>
<u>Other Financing Sources:</u>				
Sale of Capital Assets	19,494	19,494	19,494	
Advances In	50,000	50,000	8,487	(41,513)
Total Other Financing Sources	<u>69,494</u>	<u>69,494</u>	<u>27,981</u>	<u>(41,513)</u>
Changes in Fund Balance	(651,940)	(692,308)	(132,699)	559,609
Fund Balance at Beginning of Year	1,529,890	1,529,890	1,529,890	
Prior Year Encumbrances Appropriated	36,847	36,847	36,847	
Fund Balance at End of Year	<u>\$914,797</u>	<u>\$874,429</u>	<u>\$1,434,038</u>	<u>\$559,609</u>

See Accompanying Notes to the Basic Financial Statements

Fayette Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$15,468	\$30,826
<u>Liabilities:</u>		
Due to Students		\$30,826
<u>Net Assets:</u>		
Held in Trust for Scholarships	\$15,468	

See Accompanying Notes to the Basic Financial Statements

Fayette Local School District
Statement of Change in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2010

Additions:

Interest	\$247
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Deductions:

Non-Instructional Services	<u>609</u>
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Change in Net Assets	(362)
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Net Assets at Beginning of Year	<u>15,830</u>
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Net Assets at End of Year	<u><u>\$15,468</u></u>
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See Accompanying Notes to the Basic Financial Statements

Fayette Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

Note 1 - Description of the School District and Reporting Entity

Fayette 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 and federal guidelines.

The School District is the 600th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by seventeen classified employees, thirty-eight certified teaching personnel, and seven administrative employees who provide services to five hundred-two students and other community members.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure 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 Fayette 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. There are no component units of the Fayette Local School District.

The School District participates in four jointly governed organizations, three insurance pools, and is associated with a related organization. These organizations are the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Northwestern Ohio Educational Research Council, Inc., the Ohio School Plan, the Northern Buckeye Education Council's Employee Insurance Benefits Program, the Northern Buckeye Education Council Workers' Compensation Group Rating Plan, and the Normal Memorial Library. These organizations are presented in Notes 20, 21, and 22 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Fayette 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)

A. Basis of Presentation

The School District's basic financial statements consist of government-wide financial 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. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District 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, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants, contributions, and interest that are restricted to meeting the operational requirements of 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.

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. 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 are divided into two categories, governmental and fiduciary.

Fayette 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)

Governmental Funds

Governmental funds are those through which most governmental functions of the School District 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 School District's three major funds are the General Fund, the Bond Retirement debt service fund, and the Building capital projects fund.

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

Bond Retirement - The Bond Retirement Fund accounts for the accumulation of resources for and the payment of principal and interest on general obligation bonds.

Building Fund - The Building Fund accounts for local resources used for the construction of a new school and a wind turbine.

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 not available to support the School District's own programs. The School District's private purpose trust fund accounts for college scholarships for students after graduation. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for various student-managed activities.

C. Measurement Focus

Government-Wide Financial Statements

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

Fayette 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

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 are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects 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 fund financial statements for governmental funds.

The private purpose trust fund is accounted for using a flow of 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 are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange 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 the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

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

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

Fayette 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)

Deferred Revenues

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

Property taxes for which there was an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, are 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 are reported as deferred revenue.

Expenses/Expenditures

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

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

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are an alternative tax budget (consists of a five-year forecast and debt schedules), the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The alternative tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control selected by the Board is at the object level for the General Fund and the fund level in all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the function level in the General Fund and at the function and object level within all other funds are made by the School District Treasurer.

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

The appropriations resolution is subject to amendment throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward 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.

Fayette 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. Cash and Investments

To improve cash management, 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".

During fiscal year 2010, investments included nonnegotiable certificates of deposit, federal agency securities, mutual funds, and STAR Ohio. Nonnegotiable certificates of deposit are reported at cost. Federal agency securities and mutual funds are reported at fair value, which is based on quoted market price or current share price. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2010.

The Board of Education allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year 2010 was \$17,378, which includes \$3,205 assigned from other School District funds.

Investments of the School District's 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. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

G. Inventory

Inventory is presented at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of administrative supplies and donated and purchased food.

H. Unamortized Issuance Costs

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Issuance costs are recorded as deferred charges and are generally paid from debt proceeds.

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

I. Capital Assets

All of the School District's capital assets are general capital assets generally resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements.

Fayette 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)

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of one thousand dollars. 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 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:

Description	Useful Lives
Land Improvements	10 years
Buildings and Building Improvements	30 - 50 years
Furniture, Fixtures, and Equipment	5 - 40 years
Vehicles	5 - 15 years

J. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables/Payables". Interfund balances within governmental activities are eliminated on the statement of net assets.

K. Compensated Absences

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

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

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

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure 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 fund from which the employees who have accumulated unpaid leave are paid.

Fayette 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)

L. Accrued Liabilities and Long-Term Obligations

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

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 are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and capital leases are recognized as liabilities on the 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 balance of any borrowing 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, music and athletic programs, and federal and state grants.

The School District's policy is to first apply 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 balance 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 which is available for appropriation in future periods. Fund balance reserves have been established for property taxes and encumbrances.

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

O. Interfund Transactions

Transfers within governmental activities 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 made for interfund services provided and used are not eliminated.

Fayette 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.

Note 3 - Change in Accounting Principles and Restatement of Net Assets

A. Change in Accounting Principles

For fiscal year 2010, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in the economic resources measurement focus financial statements. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and the participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any changes to the financial statements.

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

Note 3 - Change in Accounting Principles and Restatement of Net Assets (continued)

B. Restatement of Net Assets

In fiscal year 2010, the School District recorded a receivable for a grant that they did not receive. The School District also changed the accounting treatment applied to the receivable for payment in lieu of taxes. Based on guidance from GASB, this receivable is presently considered a non-exchange transaction and a one year receivable is being recorded. In prior years, this was considered an exchange transaction and the entire receivable was recognized in the initial year.

The restatement had the following effect on net assets.

	Total Governmental Activities
Net Assets at June 30, 2009	\$16,107,669
Intergovernmental Receivable	(212,640)
Payment in Lieu of Taxes Receivable	(117,087)
Adjusted Net Assets at June 30, 2009	\$15,777,942

Note 4 - Compliance

The Public Preschool and State Fiscal Stabilization special revenue funds had appropriations in excess of estimated resources plus available balances for the fiscal year ended June 30, 2010, in the amount of \$8,116 and \$69, respectively.

The Food Service, District Managed Student Activity, Education Management Information Systems, Public Preschool, and State Fiscal Stabilization special revenue funds and the Building capital projects fund had expenditures in excess of appropriations for the fiscal year ended June 30, 2010, in the amount of \$4,650, \$5,232, \$500, \$5,179, \$2,726, and \$143, respectively.

The Treasurer will monitor budgetary activity to ensure that appropriations are within estimated resources and expenditures do not exceed amounts appropriated.

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (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 the GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

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

Note 5 - Budgetary Basis of Accounting (continued)

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 adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund are as follows:

Changes in Fund Balance	
GAAP Basis	(\$142,196)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2009, Received in Cash FY 2010	261,084
Accrued FY 2010, Not Yet Received in Cash	(217,457)
Expenditure Accruals:	
Accrued FY 2009, Paid in Cash FY 2010	(539,638)
Accrued FY 2010, Not Yet Paid in Cash	529,865
Unrecorded Cash Activity FY 2009	200
Unrecorded Cash Activity FY 2010	(200)
Prepaid Items	17,769
Advances In	8,487
Transfers Out	30
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(50,643)
Budget Basis	(\$132,699)

Note 6 - 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 the Board of Education 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.

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

Note 6 - 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 may 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 or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Bankers' acceptances and commercial paper 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. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

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

Note 6 - Deposits and Investments (continued)

Investments

As of June 30, 2010, the School District had the following investments:

	Fair Value	Maturity
Federal National Mortgage Association Notes	\$100,032	7/13/11
Federal National Mortgage Association Notes	100,062	1/15/13
Federal National Mortgage Association Notes	101,531	2/18/14
Federal National Mortgage Association Notes	35,820	9/29/14
Federal National Mortgage Association Notes	27,110	3/30/15
Federal Home Loan Mortgage Corporation Notes	15,072	12/17/12
Federal Home Loan Mortgage Corporation Notes	75,788	4/15/14
Federal Home Loan Mortgage Corporation Notes	5,067	12/30/14
Federal Farm Credit Bank Notes	50,391	11/18/13
Federal Home Loan Banks Bonds	20,450	2/15/11
Federal Home Loan Banks Bonds	100,124	9/28/12
Federal Home Loan Banks Bonds	25,039	7/29/13
Federal Home Loan Banks Bonds	45,099	12/30/13
Federal Home Loan Banks Bonds	72,090	4/22/15
Mutual Funds	617,848	average 32 days
STAR Ohio	184	average 56 days
	\$1,391,707	

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the School District.

The Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes, Federal Farm Credit Bank Notes, Federal Home Loan Bank Bonds, and the mutual funds carry a rating of Aaa by Moody's. STAR Ohio carries a rating of AAA by Standards and Poor's. The School District has no policy regarding credit risk beyond the requirements of State statute. Ohio law requires that mutual funds must be rated, at the time of purchase, in the highest category by at least one nationally recognized standard rating service. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

The School District places no limit on the amount of its interim monies it may invest in a particular security. The following table indicates the percentage of each investment to the School District's total portfolio.

	Fair Value	Percentage of Portfolio
Federal National Mortgage Association	\$364,555	26.19%
Federal Home Loan Mortgage Corporation	95,927	6.89
Federal Farm Credit Bank	50,391	3.62
Federal Home Loan Bank	262,802	18.88

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

Note 7 - Receivables

Receivables at June 30, 2010, consisted of accounts (student fees and billings for user charged services), accrued interest, interfund, intergovernmental, income taxes, 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 year guarantee of federal funds. All receivables, except income taxes and property taxes, are expected to be collected within one year. Income taxes and property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Other Governmental Funds	
Public Preschool	\$1,050
Title I	11,761
Title II-A	2,484
Total Intergovernmental Receivables	\$15,295

Note 8 - Income Taxes

The School District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was effective in 1991 and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

Note 9 - 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 distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

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

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

Note 9 - Property Taxes (continued)

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

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent 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. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. 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. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Fulton County. The 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 represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2010, and for which there was 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 were levied to finance current fiscal year operations and are reflected 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 \$88,548 in the General Fund, \$22,872 in the Bond Retirement debt service fund, and \$1,480 in the Maintenance special revenue fund. The amount available as an advance at June 30, 2009, was \$79,015 in the General Fund, \$20,412 in the Bond Retirement debt service fund, and \$1,318 in the Maintenance special revenue fund.

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

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

Note 9 - Property Taxes (continued)

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

	2009 Second- Half Collections		2010 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$33,583,590	84.88%	\$33,619,240	84.70%
Industrial/Commercial	4,153,860	10.50	4,137,030	10.42
Public Utility	1,829,210	4.62	1,934,240	4.88
Total Assessed Value	<u>\$39,566,660</u>	<u>100.00%</u>	<u>\$39,690,510</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$55.30		\$55.30	

Note 10 - Capital Assets

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

	Balance at 6/30/09	Additions	Reductions	Balance at 6/30/10
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$321,608			\$321,608
Construction in Progress		\$375,643		375,643
Total Nondepreciable Capital Assets	<u>321,608</u>	<u>375,643</u>		<u>697,251</u>
Depreciable Capital Assets				
Land Improvements	33,528			33,528
Buildings and Building Improvements	16,704,938			16,704,938
Furniture, Fixtures, and Equipment	711,738	27,699	(\$16,129)	723,308
Vehicles	420,322	77,447		497,769
Total Depreciable Capital Assets	<u>17,870,526</u>	<u>105,146</u>	<u>(16,129)</u>	<u>17,959,543</u>
Less Accumulated Depreciation				
Land Improvements	(32,054)	(1,474)		(33,528)
Buildings and Building Improvements	(363,134)	(335,197)		(698,331)
Furniture, Fixtures, and Equipment	(119,802)	(73,375)	10,133	(183,044)
Vehicles	(208,476)	(30,771)		(239,247)
Total Accumulated Depreciation	<u>(723,466)</u>	<u>(440,817)</u>	<u>10,133</u>	<u>(1,154,150)</u>
Depreciable Capital Assets, Net	<u>17,147,060</u>	<u>(335,671)</u>	<u>(5,996)</u>	<u>16,805,393</u>
Governmental Activities Capital Assets, Net	<u>\$17,468,668</u>	<u>\$39,972</u>	<u>(\$5,996)</u>	<u>\$17,502,644</u>

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

Note 10 - Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$242,468
Special	26,736
Vocational	14,371
Support Services:	
Pupils	2,659
Instructional Staff	14,293
Administration	14,440
Fiscal	665
Operation and Maintenance of Plant	15,227
Pupil Transportation	31,053
Non-Instructional Services	43,390
Extracurricular Activities	35,515
Total Depreciation Expense	\$440,817

Note 11 - Interfund Assets/Liabilities

At June 30, 2010, the General Fund had an interfund receivable, in the amount of \$1,308, from other governmental funds for short-term loans made to those funds.

Note 12 - Risk Management

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 for the following insurance coverage.

Coverage provided by Ohio School Plan is as follows:

General Liability	
Per Occurrence	\$1,000,000
General Aggregate	3,000,000
Building and Contents	17,514,584
Vehicle Liability	1,000,000
Uninsured Motorists	1,000,000

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

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

Note 12 - Risk Management (continued)

For fiscal year 2010, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

The School District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (Program), a public entity shared risk pool consisting of educational entities within Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The School District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees including medical, dental, vision, and life insurance. The Northern Buckeye Education Council is responsible for the management and operations of the Program. The agreement for the Program provides for additional assessments to all participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

The School District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis, and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

Note 13 - Defined Benefit Pension Plans

A. State Teachers Retirement System

Plan Description - The School District contributes to 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 the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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

Note 13 - Defined Benefit Pension Plans (continued)

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on 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 DCP 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 fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the DCP. In the CP, 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 DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DBP or CP member with five or more years 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 DCP who become disabled are entitled only to their account balance. If a member of the DCP 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 salary. 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 STRS Ohio 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 contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 was \$275,313, \$280,150, and \$285,476, respectively; 87 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DCP and CP for fiscal year 2010 were \$7,431 made by the School District and \$5,308 made by plan members.

B. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer public employee retirement 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 stand-alone financial report that may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

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

Note 13 - Defined Benefit Pension Plans (continued)

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salary and the School District was 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 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 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 contribution for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 was \$65,809, \$49,973, and \$47,316, respectively; 19 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2010, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages.

Note 14 - Postemployment Benefits

A. State Teachers Retirement System

Plan Description - The School District contributes to a cost-sharing multiple-employer defined benefit Health Care 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 STRS Ohio's financial report which may be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care 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 Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contribution for health care for the fiscal years ended June 30, 2010, 2009, and 2008 was \$21,750, \$21,550, and \$21,961, respectively; 87 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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

Note 14 - Postemployment Benefits (continued)

B. School Employees Retirement System

Plan Description - The School District contributes to two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for classified 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 the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal 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 fiscal year 2010, .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 fiscal year 2010, the surcharge amount was \$7,776.

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 contribution for health care for the fiscal years ended June 30, 2010, 2009, and 2008 was \$2,369, \$22,870, and \$21,592, respectively; 19 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 fiscal year 2010, this actuarially required allocation was .76 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 was \$3,914, \$4,123, and \$3,409, respectively; 19 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

Note 15 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Teachers do not earn vacation time.

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

Note 15 - Other Employee Benefits (continued)

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

B. Health Care Benefits

The School District provides medical, dental, vision, and life insurance to most employees through the Northern Buckeye Education Council Employee Insurance Benefits Program.

C. Separation Benefits

The School District provides a separation benefit to eligible certified employees. A full-time employee eligible to retire under the provisions of the State Teachers Retirement System that has five years of service with the School District will be paid \$300 for each year served in the first year eligible to retire; \$200 for each year served in the second year eligible to retire; and \$100 for each year served in the third year eligible to retire if notification of pending retirement is submitted in writing to the Board no later than April 1 for retirement effective at the end of the current school year or prior to the following school year. At June 30, 2010, the School District had a liability for separation benefits of \$11,400.

Note 16 - Long-Term Obligations

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

	Balance at 6/30/09	Additions	Reductions	Balance at 6/30/10	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds					
FY2006 School Improvement Refunding Bonds					
Serial Bonds 4-4.5%	\$450,000			\$450,000	
FY2006 General Obligation Bonds					
Serial Bonds 3.75-4%	625,000		\$115,000	510,000	\$120,000
Term Bonds 4-4.55%	3,950,000			3,950,000	
Capital Appreciation Bonds 12.76%	89,999			89,999	
Accretion of Capital Appreciation Bonds	44,598	\$17,722		62,320	
Total General Obligation Bonds	5,159,597	17,722	115,000	5,062,319	120,000
Compensated Absences Payable	168,398	16,309	21,147	163,560	34,984
Capital Leases Payable		77,447	20,643	56,804	18,117
Total Governmental Activities Long-Term Obligations	<u>\$5,327,995</u>	<u>\$111,478</u>	<u>\$156,790</u>	<u>\$5,282,683</u>	<u>\$173,101</u>

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

Note 16 - Long-Term Obligations (continued)

FY 2006 School Improvement Refunding Bonds - On July 13, 2005, the School District issued \$1,475,000 in general obligation bonds to partially refund bonds previously issued in fiscal year 1998 for renovating, repairing, and improving existing school buildings. The bonds were issued for an eighteen year period, with final maturity during fiscal year 2024. The bonds will be retired through the Bond Retirement debt service fund. During fiscal year 2008, the School District defeased a portion of these bonds. In a prior fiscal year, the School District received a significant settlement from a lawsuit. During fiscal year 2008, the School District decided to use these monies to defease \$1,025,000 of the outstanding bonds. These monies were deposited in an irrevocable trust with an escrow agent and used to purchase United States Government Securities to provide for the future debt service payments on the bonds. As of June 30, 2010, \$1,025,000 of the refunded bonds was still outstanding.

FY 2006 General Obligation Bonds - On March 24, 2006, the School District issued \$4,884,999, in general obligation bonds for constructing a school building. The bond issue included serial, term, and capital appreciation bonds, in the original amount of \$845,000, \$3,950,000, and \$89,999, respectively. The bonds were issued for a twenty-two year period, with final maturity during fiscal year 2028. The bonds will be retired through the Bond Retirement debt service fund.

The term bonds maturing on or after December 1, 2016, are subject to optional redemption, either in whole or in part, in such order as the School District shall determine, on any date on or after December 1, 2015, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The term bonds maturing on December 1, 2017, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, 2016, in the amount of \$140,000 (with the balance of \$145,000 to be paid at stated maturity on December 1, 2017), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The term bonds maturing on December 1, 2019, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, 2018, in the amount of \$150,000 (with the balance of \$155,000 to be paid at stated maturity on December 1, 2019), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The term bonds maturing on December 1, 2021, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, 2020, in the amount of \$165,000 (with the balance of \$170,000 to be paid at stated maturity on December 1, 2021), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The term bonds maturing on December 1, 2023, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, 2022, in the amount of \$175,000 (with the balance of \$185,000 to be paid at stated maturity on December 1, 2023), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

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

Note 16 - Long-Term Obligations (continued)

The term bonds maturing on December 1, 2025, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, 2024, in the amount of \$195,000 (with the balance of \$200,000 to be paid at stated maturity on December 1, 2025), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The term bonds maturing on December 1, 2034, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, on December 1 in the year and the respective principal amounts as follows:

Year	Amount
2026	\$210,000
2027	220,000
2028	230,000
2029	240,000
2030	250,000
2031	260,000
2032	275,000
2033	285,000

The remaining principal, in the amount of \$300,000, will be paid at stated maturity on December 1, 2034.

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2015 and 2016. The maturity amount of the bonds is \$280,000. For fiscal year 2010, \$17,722 was accreted for a total bond value of \$152,319 at fiscal year end.

Compensated absences will be paid from the General Fund, and the Food Service and Title I special revenue funds.

Capital leases will be paid from the General Fund.

The School District's overall debt margin was \$3,575,533 with an unvoted debt margin of \$37,789 at June 30, 2010.

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

Note 16 - Long-Term Obligations (continued)

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2010, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds		Capital Appreciation	Interest	Total
	Serial	Term			
2011	\$120,000			\$189,700	\$309,700
2012	125,000			185,106	310,106
2013	130,000			180,162	310,162
2014	135,000			174,862	309,862
2015			\$47,778	264,384	312,162
2016-2020		\$590,000	42,221	912,389	1,544,610
2021-2025	450,000	890,000		685,795	2,025,795
2026-2030		1,100,000		441,002	1,541,002
2031-2035		1,370,000		161,526	1,531,526
Total	<u>\$960,000</u>	<u>\$3,950,000</u>	<u>\$89,999</u>	<u>\$3,194,926</u>	<u>\$8,194,925</u>

Note 17 - Capitalized Leases - Lessee Disclosure

The School District has entered into capitalized lease for a vehicle. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. New capital leases are reflected in the accounts "Business" and "Inception on Capital Lease" in the funds which will be making the lease payments. Principal payments in fiscal year 2010 were \$20,643.

	Governmental Activities
Equipment	\$77,447
Less Accumulated Depreciation	(4,733)
Present Value of Net Minimum Lease Payments	<u>\$72,714</u>

Future long-term minimum lease payments required under the capital lease are as follows:

	Principal	Interest
2011	\$18,117	\$2,527
2012	18,923	1,721
2013	19,764	880
	<u>\$56,804</u>	<u>\$5,128</u>

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

Note 18 - Set Asides

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2010.

	Textbooks	Capital Improvements	Totals
Set Aside Reserve Balance, June 30, 2010			
Current Year Set Aside Requirement	\$72,344	\$72,344	\$144,688
Current Year Qualifying Expenditures	(46,727)		(46,727)
Excess Qualified Expenditures from Prior Years	(203,424)		(203,424)
Current Year Offsets		(72,344)	(72,344)
Total	(\$177,807)		(\$177,807)
Balance Carried Forward to Fiscal Year 2011	(\$177,807)		(\$177,807)

The School District had qualifying expenditures during the fiscal year that reduced the textbooks set aside amount below zero. This amount may be used to reduce the set aside requirement in future fiscal years.

Note 19 - Interfund Transfers

During fiscal year 2010, other governmental funds transferred \$1,011,234 to the Building capital projects fund for a construction project. Other governmental funds transferred \$30 to the General Fund for advances not paid back in the prior fiscal year.

Note 20 - Jointly Governed Organizations

A. Northwest Ohio Computer Association

The School District is a participant in the Northwest Ohio Computer Association (NWOCA), which is a computer consortium. NWOCA is an association of educational entities within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood 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 educational entities.

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

Note 20 - Jointly Governed Organizations (continued)

The NWOCA Assembly consists of the superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the Governing Council of two representatives from each of the six counties in which member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Governing Council. During fiscal year 2010, the School District paid \$45,212 to NWOCA for various services. Financial information can be obtained from the Northwest Ohio Computer Association, 209 Nolan Parkway, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among educational entities located in Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected board consisting of two representatives from each of the six counties in which the member educational entities are located. The Board is elected from an assembly consisting of a representative from each participating educational entity. Financial information can be obtained from the Northern Buckeye Education Council, 209 Nolan Parkway, Archbold, Ohio 43502.

C. Four County Career Center

The Four County Career Center (Career Center) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Career Center is operated under the direction of a board consisting of five representatives from the Northwest Ohio Educational Service Center and one representative from the participating school districts elected boards. The Career Center possesses its own budgeting and taxing authority. The degree of control exercised by the School District is limited to its representation on the Board. Financial information can be obtained from the Four County Career Center, Route 1, Box 245A, Archbold, Ohio 43502.

D. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

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

Note 21 - Insurance Pools

A. Ohio School Plan

The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Schuett Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Schuett Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Schuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

B. Northern Buckeye Education Council Employee Insurance Benefits Program

The Northern Buckeye Education Council Employee Insurance Benefits Program (Program) is a public entity shared risk pool consisting of educational entities within Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The Program is governed by the Northern Buckeye Education Council (NBEC) and its participating members.

C. Northern Buckeye Education Council 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 Northern Buckeye Education Council Workers' Compensation Group Rating Plan (Plan) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The Plan is governed by the NBEC and the participants of the Plan. The Executive Director of the NBEC coordinates the management and administration of the Plan. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

Note 22 - Related Organization

The Normal Memorial Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Fayette Local School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District serves as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Normal Memorial Library, 301 North Eagle Street, Fayette, Ohio 43251.

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

Note 23 - 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

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

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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*

Fayette Local School District
Fulton County
400 East Gamble Road
Fayette, Ohio 43521-9462

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 Fayette Local School District, Fulton County, (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 opinion 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 an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-001.

We noted another matter 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, the audit committee, the Board of Education 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

FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2010

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

Finding for Recovery Repaid Under Audit

<i>Finding Number</i>	2010-001
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Article V (G)(3) of the Negotiated Agreement between the Fayette Local Board of Education and the Fayette Teachers Association, effective August 1, 2008 through July 31, 2011, states the amount of benefits due to a retiring employee shall be determined by multiplying the employee's accrued, but unused, sick leave, up to a maximum of two hundred and forty days, where appropriate, by one-fourth, but not to exceed 57 days for members that retire after 30 years of service.

Barbara Bruggeman retired with 35 years of service to the District in 2010 and was compensated for 60 days of accrued, but unused sick leave, which resulted in her being compensated for 3 extra days at \$345 per day, for an overpayment of \$1,035.

In accordance with the foregoing facts and pursuant to Ohio Revised Code § 117.28, a finding for recovery for public moneys illegally expended is hereby issued against Barbara Bruggeman in the amount of \$1,035 and in favor of the Fayette Local School District General Fund.

This finding was repaid to the District on November 8, 2010. A receipt for \$1,035 was posted to the General Fund.

Officials' Response:

We received no response from Officials to this finding.

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Dave Yost • Auditor of State

FAYETTE LOCAL SCHOOL DISTRICT

FULTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 15, 2011