



# Balestra, Harr & Scherer, CPAs, Inc.

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Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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FAYETTEVILLE-PERRY LOCAL SCHOOL DISTRICT  
BROWN COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2011  
Fiscal Year Audited Under GAGAS: 2011





# Dave Yost • Auditor of State

Members of the Board of Education  
Fayetteville-Perry Local School District  
501 South Apple Street  
Fayetteville, Ohio 45118

We have reviewed the *Independent Auditor's Report* of the Fayetteville-Perry Local School District, Brown County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

January 20, 2012

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

**BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**TABLE OF CONTENTS**

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor’s Report .....	1
Management’s Discussion and Analysis .....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets .....	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	13
Reconciliation of Total Governmental Fund Balances To Net Assets of Governmental Activities .....	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	16
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund .....	17
Statement of Fiduciary Net Assets– Fiduciary Funds .....	18
Statement of Changes in Fiduciary Net Assets– Fiduciary Fund .....	19
Notes to the Basic Financial Statements .....	20
Schedule of Federal Awards Receipts and Expenditures.....	51
Notes to the Schedule of Federal Awards Receipts and Expenditures.....	52
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Governmental Auditing Standards</i> .....	53
Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133 .....	55
Schedule of Findings OMB Circular A-133 Section §.505 .....	57
Independent Auditor’s Report on Applying Agreed Upon Procedures .....	59

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## Independent Auditor's Report

Members of the Board of Education  
Fayetteville-Perry Local School District  
501 South Apple Street  
Fayetteville, Ohio 45118-0281

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fayetteville-Perry Local School District, Brown County, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

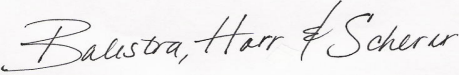
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fayetteville-Perry Local School District, Brown County, Ohio, as of June 30, 2011, 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 November 23, 2011 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The Schedule of Federal Awards Receipts and Expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 3 to the financial statements, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

  
Balestra, Harr & Scherer, CPAs, Inc.  
November 23, 2011



**Fayetteville-Perry Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
Unaudited

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As management of the Fayetteville-Perry Local School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's performance.

### **Financial Highlights**

The School District's net assets increased \$480,171 during this fiscal year's operations.

The School District's total expenses decreased by over nine percent with a significant reduction in staffing.

The School District completed the construction of their new school buildings in fiscal year 2010, however, construction continued on their new athletic facilities during fiscal year 2011.

### **Using the Basic Financial Statements**

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

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

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

One of the most important questions asked about the School District is "How did we do financially during fiscal year 2011?" The *Statement of Net Assets* and the *Statement of Activities*, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These government-wide financial statements include all *assets* and *liabilities* using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

**Fayetteville-Perry Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
Unaudited

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

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

### **Fund Financial Statements**

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

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

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

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

Table 1 provides a summary of the School District's net assets for fiscal years 2011 and 2010:

**Fayetteville-Perry Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2011**  
**Unaudited**

(Table 1)  
**Net Assets**  
**Governmental Activities**

	<u>2011</u>	<u>2010</u>	<u>Change</u>
<b>Assets</b>			
Current and Other Assets	\$6,433,698	\$6,578,737	(\$145,039)
Capital Assets, Net	<u>28,246,855</u>	<u>28,174,855</u>	<u>72,000</u>
Total Assets	<u>34,680,553</u>	<u>34,753,592</u>	<u>(73,039)</u>
<b>Liabilities</b>			
Other Liabilities	2,739,751	2,998,067	(258,316)
Long-Term Liabilities	<u>8,195,145</u>	<u>8,490,039</u>	<u>(294,894)</u>
Total Liabilities	<u>10,934,896</u>	<u>11,488,106</u>	<u>(553,210)</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	20,562,012	20,158,280	403,732
Restricted	2,736,233	2,975,494	(239,261)
Unrestricted	<u>447,412</u>	<u>131,712</u>	<u>315,700</u>
Total Net Assets	<u>\$23,745,657</u>	<u>\$23,265,486</u>	<u>\$480,171</u>

Unrestricted net assets increased \$315,700 due primarily to the School District reducing expenses as a result of decreasing staff levels during the fiscal year. Invested in capital assets, net of related debt increased \$403,732 due to the construction of athletic facilities during the fiscal year. Expenses related to this construction also resulted in a decrease in restricted net assets of \$239,261.

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

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

**Fayetteville-Perry Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2011**  
**Unaudited**

(Table 2)  
Change in Net Assets  
Governmental Activities

	2011	2010	Change
<b>Revenues</b>			
Program Revenues:			
Charges for Services and Sales	\$1,217,889	\$1,131,308	\$86,581
Operating Grants, Contributions and Interest	1,072,196	1,145,352	(73,156)
Total Program Revenues	<u>2,290,085</u>	<u>2,276,660</u>	<u>13,425</u>
General Revenues:			
Property Taxes	2,687,354	2,401,372	285,982
Grants and Entitlements not Restricted to Specific Programs	5,195,505	4,790,435	405,070
Gifts and Donations	9,752	0	9,752
Interest	23,244	46,053	(22,809)
Miscellaneous	89,256	89,647	(391)
Total General Revenues	<u>8,005,111</u>	<u>7,327,507</u>	<u>677,604</u>
 Total Revenues	 <u>10,295,196</u>	 <u>9,604,167</u>	 <u>691,029</u>
 <b>Program Expenses</b>			
Instruction:			
Regular	3,502,264	4,028,807	526,543
Special	1,237,584	1,207,137	(30,447)
Vocational	190,606	191,713	1,107
Student Intervention Services	1,836	18,130	16,294
Support Services:			
Pupils	309,272	321,203	11,931
Instructional Staff	655,182	844,661	189,479
Board of Education	52,462	72,186	19,724
Administration	861,673	856,402	(5,271)
Fiscal	329,489	314,327	(15,162)
Operation and Maintenance of Plant	940,628	1,107,101	166,473
Pupil Transportation	622,827	657,207	34,380
Central	3,189	8,398	5,209
Operation of Non-Instructional Services:			
Other	85,866	92,067	6,201
Food Services	511,853	513,422	1,569
Extracurricular Activities	166,789	209,222	42,433
Interest and Fiscal Charges	343,505	355,763	12,258
Total Expenses	<u>9,815,025</u>	<u>10,797,746</u>	<u>982,721</u>
Change in Net Assets	480,171	(1,193,579)	1,673,750
Net Assets at Beginning of Year	<u>23,265,486</u>	<u>24,459,065</u>	<u>(1,193,579)</u>
Net Assets at End of Year	<u>\$23,745,657</u>	<u>\$23,265,486</u>	<u>\$480,171</u>

Operating grants, contributions, and interest decreased \$73,156 due to a decrease in second-year ARRA grants.

**Fayetteville-Perry Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2011**  
**Unaudited**

Grants and entitlements not restricted to specific programs increased \$405,070, due to the receipt of OSFC grant funds related to the School District's athletic facilities.

Various instruction and support services expenditures decreased due to a reduction in staff levels. The School District reduced staffing by 10 non-certificated, 7 certificated, and 4 administrative employees.

**Governmental Activities**

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

(Table 3)  
Governmental Activities

	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
Instruction	\$4,932,290	\$3,339,527	\$5,445,787	\$3,886,004
Support Services	3,774,722	3,582,798	4,181,485	3,990,807
Operation of Non-				
Instructional Services	597,719	150,290	605,489	142,077
Extracurricular Activities	166,789	108,820	209,222	146,435
Interest and Fiscal Charges	343,505	343,505	355,763	355,763
<b>Total Expenses</b>	<b>\$9,815,025</b>	<b>\$7,524,940</b>	<b>\$10,797,746</b>	<b>\$8,521,086</b>

**The School District's Funds**

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$10,324,713 and expenditures of \$10,178,819. The net change in fund balance for the fiscal year was most significant in the General Fund, an increase of \$382,685. This was due to an increase in property taxes and the School District's cost cutting measures. The net change in fund balance for the fiscal year in the Debt Service Fund was an increase of \$175,030. This increase was due to property tax revenues exceeding debt service payments.

**Fayetteville-Perry Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
Unaudited

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**General Fund - Budget Highlights**

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. During the course of fiscal year 2011, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures.

The School District's ending unobligated cash balance was \$2,264 above the final budgeted amount in the General Fund.

For the General Fund, actual revenues were \$7,392,956, a \$2,165 increase over final budget estimates of \$7,390,791. This was due to the School District's close monitoring of revenues, and adjusting estimated revenues to reflect this. Final budget estimates were \$47,560 higher than original budget estimates of \$7,343,231, due to decreases in anticipated property taxes offset by increases in intergovernmental and tuition and fees revenues. Actual expenditures of \$7,375,436 were \$99 lower than final budgeted expenditures of \$7,375,535. Final budgeted expenditures were \$731,618 lower than original budget estimates of \$8,107,153, due to overall decreases in expenditures, as the School District closely monitored its budget.

**Capital Assets and Debt Administration**

***Capital Assets***

The Fayetteville-Perry Local School District's investment in capital assets as of June 30, 2011 was \$28,246,855. This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, furniture, fixtures and equipment, and vehicles. Table 4 shows fiscal year 2011 balances compared to fiscal year 2010:

**Fayetteville-Perry Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
Unaudited

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

	2011	2010	Change
Land	\$89,380	\$89,380	\$0
Construction in Progress	1,007,720	131,111	876,609
Land Improvements	1,084,659	1,192,613	(107,954)
Buildings and Improvements	25,275,682	25,872,400	(596,718)
Furniture, Fixtures and Equipment	585,868	643,788	(57,920)
Vehicles	203,546	245,563	(42,017)
Totals	\$28,246,855	\$28,174,855	\$72,000

Net capital assets increased \$72,000 from the prior fiscal year, primarily due to the construction of new athletic facilities offset by current year depreciation. For more information on capital assets, refer to note 10 to the basic financial statements.

***Debt***

At June 30, 2011 the School District had \$7,780,873 in bonds outstanding with \$345,000 due within one year. Table 5 summarizes bonds outstanding:

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

	2011	2010
General Obligation Bonds:		
School Improvement Refunding Bonds 2006	\$7,760,000	\$8,095,000
Premium on Refunding Bonds	105,846	110,448
Loss on Refunding	(84,973)	(88,668)
Totals	\$7,780,873	\$8,116,780

The School District's overall legal debt margin was \$2,262,664 with an unvoted debt margin of \$94,606 at June 30, 2011.

For more information on debt, refer to note 15 to the basic financial statements.

*Fayetteville-Perry Local School District*  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
Unaudited

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

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



**Fayetteville-Perry Local School District**

Statement of Net Assets

June 30, 2011

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$3,548,078
Prepaid Items	9,018
Inventory Held for Resale	12,586
Materials and Supplies Inventory	1,409
Intergovernmental Receivable	51,768
Property Taxes Receivable	2,714,809
Deferred Charges	96,030
Capital Assets:	
Land	89,380
Construction in Progress	1,007,720
Depreciable Capital Assets, Net	<u>27,149,755</u>
<i>Total Assets</i>	<u>34,680,553</u>
<b>Liabilities:</b>	
Accounts Payable	25,304
Accrued Wages and Benefits Payable	610,186
Intergovernmental Payable	211,428
Deferred Revenue	1,835,012
Matured Compensated Absences Payable	29,916
Accrued Interest Payable	27,905
Long-Term Liabilities:	
Due Within One Year	393,594
Due in More Than One Year	<u>7,801,551</u>
<i>Total Liabilities</i>	<u>10,934,896</u>
<b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	20,562,012
Restricted for:	
Capital Outlay	811,601
Debt Service	1,522,838
Other Purposes	401,794
Unrestricted	<u>447,412</u>
<i>Total Net Assets</i>	<u><u>\$23,745,657</u></u>

See accompanying notes to the basic financial statements

**Fayetteville-Perry Local School District**  
Statement of Activities  
For the Fiscal Year Ended June 30, 2011

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest
<b>Governmental Activities:</b>			Governmental Activities
Instruction:			
Regular	\$3,502,264	\$667,460	\$36,930
Special	1,237,584	238,379	561,552
Vocational	190,606	47,676	40,766
Student Intervention Services	1,836	0	0
Support Services:			
Pupils	309,272	0	28,473
Instructional Staff	655,182	0	73,945
Board of Education	52,462	0	0
Administration	861,673	0	45,797
Fiscal	329,489	0	0
Operation and Maintenance of Plant	940,628	0	32,728
Pupil Transportation	622,827	0	10,981
Central	3,189	0	0
Operation of Non-Instructional Services:			
Other	85,866	0	0
Food Services	511,853	216,742	230,687
Extracurricular Activities	166,789	47,632	10,337
Interest and Fiscal Charges	343,505	0	0
<b>Total Governmental Activities</b>	<b>\$9,815,025</b>	<b>\$1,217,889</b>	<b>\$1,072,196</b>

**General Revenues:**

Property Taxes Levied for:	
General Purposes	1,795,532
Debt Service	769,579
Capital Outlay	88,458
Capital Maintenance	33,785
Grants and Entitlements not Restricted to Specific Programs	5,195,505
Gifts and Donations	9,752
Interest	23,244
Miscellaneous	89,256
<b>Total General Revenues</b>	<b>8,005,111</b>
Change in Net Assets	480,171
<b>Net Assets at Beginning of Year</b>	<b>23,265,486</b>
<b>Net Assets at End of Year</b>	<b>\$23,745,657</b>

See accompanying notes to the basic financial statements

**Fayetteville-Perry Local School District**

Balance Sheet

Governmental Funds

June 30, 2011

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$1,145,212	\$1,296,804	\$1,106,062	\$3,548,078
Inventory Held for Resale	0	0	12,586	12,586
Materials and Supplies Inventory	0	0	1,409	1,409
Interfund Receivable	451	0	0	451
Intergovernmental Receivable	0	0	51,768	51,768
Prepaid Items	920	0	8,098	9,018
Property Taxes Receivable	1,821,290	770,091	123,428	2,714,809
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<i>Total Assets</i>	<u>\$2,967,873</u>	<u>\$2,066,895</u>	<u>\$1,303,351</u>	<u>\$6,338,119</u>
<b>Liabilities:</b>				
Accounts Payable	\$25,304	\$0	\$0	\$25,304
Accrued Wages and Benefits Payable	550,723	0	59,463	610,186
Interfund Payable	0	0	451	451
Intergovernmental Payable	191,631	0	19,797	211,428
Matured Compensated Absences Payable	29,916	0	0	29,916
Deferred Revenue	1,334,762	558,758	102,904	1,996,424
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<i>Total Liabilities</i>	<u>2,132,336</u>	<u>558,758</u>	<u>182,615</u>	<u>2,873,709</u>
<b>Fund Balances:</b>				
Nonspendable	0	0	13,995	13,995
Restricted	0	1,508,137	1,146,248	2,654,385
Assigned	149,963	0	0	149,963
Unassigned	685,574	0	(39,507)	646,067
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<i>Total Fund Balances</i>	<u>835,537</u>	<u>1,508,137</u>	<u>1,120,736</u>	<u>3,464,410</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,967,873</u>	<u>\$2,066,895</u>	<u>\$1,303,351</u>	<u>\$6,338,119</u>

See accompanying notes to the basic financial statements

**Fayetteville-Perry Local School District**  
 Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2011

**Total Governmental Fund Balances** \$3,464,410

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

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

Land	89,380	
Construction in progress	1,007,720	
Other capital assets	29,892,493	
Accumulated depreciation	<u>(2,742,738)</u>	
Total capital assets		28,246,855

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

Delinquent property taxes	148,446	
Intergovernmental	<u>12,966</u>	
		161,412

Bond issuance costs reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis. 96,030

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (27,905)

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

Bonds payable	(7,760,000)	
Bond premium	(105,846)	
Loss on refunding	84,973	
Compensated absences	<u>(414,272)</u>	
Total liabilities		<u>(8,195,145)</u>

**Net Assets of Governmental Activities** \$23,745,657

See accompanying notes to the basic financial statements

**Fayetteville-Perry Local School District**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2011

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property Taxes	\$1,782,093	\$763,797	\$121,323	\$2,667,213
Intergovernmental	4,640,264	110,228	1,556,325	6,306,817
Interest	15,149	0	8,300	23,449
Tuition and Fees	953,515	0	0	953,515
Extracurricular Activities	0	0	47,632	47,632
Gifts and Donations	9,752	0	10,337	20,089
Customer Sales and Services	0	0	216,742	216,742
Miscellaneous	76,364	0	12,892	89,256
<i>Total Revenues</i>	<u>7,477,137</u>	<u>874,025</u>	<u>1,973,551</u>	<u>10,324,713</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	2,652,684	0	459,339	3,112,023
Special	961,103	0	237,621	1,198,724
Vocational	185,984	0	0	185,984
Student Intervention Services	1,836	0	0	1,836
Support Services:				
Pupils	278,425	0	30,780	309,205
Instructional Staff	471,570	0	117,092	588,662
Board of Education	52,462	0	0	52,462
Administration	746,648	0	52,104	798,752
Fiscal	288,226	22,683	3,907	314,816
Operation and Maintenance of Plant	777,964	0	72,634	850,598
Pupil Transportation	512,093	0	4,316	516,409
Central	3,189	0	0	3,189
Operation of Non-Instructional Services:				
Other	73,020	0	11,998	85,018
Food Services	0	0	449,096	449,096
Extracurricular Activities	89,248	0	61,585	150,833
Capital Outlay	0	0	884,900	884,900
Debt Service:				
Principal Retirement	0	335,000	0	335,000
Interest and Fiscal Charges	0	341,312	0	341,312
<i>Total Expenditures</i>	<u>7,094,452</u>	<u>698,995</u>	<u>2,385,372</u>	<u>10,178,819</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>382,685</u>	<u>175,030</u>	<u>(411,821)</u>	<u>145,894</u>
<i>Net Change in Fund Balances</i>	382,685	175,030	(411,821)	145,894
<i>Fund Balances at Beginning of Year</i>	<u>452,852</u>	<u>1,333,107</u>	<u>1,532,557</u>	<u>3,318,516</u>
<i>Fund Balances at End of Year</i>	<u><u>\$835,537</u></u>	<u><u>\$1,508,137</u></u>	<u><u>\$1,120,736</u></u>	<u><u>\$3,464,410</u></u>

See accompanying notes to the basic financial statements

**Fayetteville-Perry Local School District**  
Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Fiscal Year Ended June 30, 2011

**Net Change in Fund Balances - Total Governmental Funds** \$145,894

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

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

Capital assets additions	894,868	
Depreciation expense	(822,868)	
Excess of depreciation expense under capital outlay		72,000

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

Delinquent property taxes	20,141	
Intergovernmental	(49,658)	
		(29,517)

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

Decrease in accrued interest payable	1,075	
Amortization of bond premium	4,602	
Amortization of bond issuance costs	(4,175)	
Amortization of loss on refunding	(3,695)	
		(2,193)

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

Bond payments		335,000
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Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in compensated absences payable		(41,013)
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**Change in Net Assets of Governmental Activities** \$480,171

See accompanying notes to the basic financial statements

**Fayetteville-Perry Local School District**  
Statement of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property Taxes	\$1,924,799	\$1,697,912	\$1,697,912	\$0
Intergovernmental	4,414,254	4,637,839	4,640,264	2,425
Interest	14,666	15,409	15,149	(260)
Tuition and Fees	907,547	953,515	953,515	0
Gifts and Donations	9,282	9,752	9,752	0
Miscellaneous	72,683	76,364	76,364	0
<i>Total Revenues</i>	<u>7,343,231</u>	<u>7,390,791</u>	<u>7,392,956</u>	<u>2,165</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	3,067,785	2,790,937	2,790,838	99
Special	1,053,215	958,169	958,169	0
Vocational	204,374	185,931	185,931	0
Student Intervention Services	4,845	4,408	4,408	0
Support Services:				
Pupils	301,537	274,325	274,325	0
Instructional Staff	542,267	493,331	493,331	0
Board of Education	71,369	64,928	64,928	0
Administration	839,269	763,530	763,530	0
Fiscal	319,274	290,462	290,462	0
Operation and Maintenance of Plant	920,612	837,533	837,533	0
Pupil Transportation	600,537	546,342	546,342	0
Central	3,505	3,189	3,189	0
Operation of Non-Instructional Services	80,263	73,020	73,020	0
Extracurricular Activities	97,924	89,087	89,087	0
Capital Outlay	377	343	343	0
<i>Total Expenditures</i>	<u>8,107,153</u>	<u>7,375,535</u>	<u>7,375,436</u>	<u>99</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(763,922)</u>	<u>15,256</u>	<u>17,520</u>	<u>2,264</u>
<b>Other Financing Sources:</b>				
Refund of Prior Year Expenditures	0	(10)	(10)	0
Advances Out	0	(451)	(451)	0
<i>Total Other Financing Sources</i>	<u>0</u>	<u>(461)</u>	<u>(461)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(763,922)</u>	<u>14,795</u>	<u>17,059</u>	<u>2,264</u>
<i>Fund Balance at Beginning of Year</i>	<u>799,272</u>	<u>799,272</u>	<u>799,272</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>153,610</u>	<u>153,610</u>	<u>153,610</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$188,960</u></u>	<u><u>\$967,677</u></u>	<u><u>\$969,941</u></u>	<u><u>\$2,264</u></u>

See accompanying notes to the basic financial statements

**Fayetteville-Perry Local School District**  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2011

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$3,244	\$28,506
<b>Liabilities:</b>		
Undistributed Monies	0	\$28,506
<b>Net Assets:</b>		
Held in Trust for Scholarships	\$3,244	

See accompanying notes to the basic financial statements



***Fayetteville-Perry Local School District***  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2011

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
<b><i>Additions:</i></b>	
Interest	\$9
<i>Net Assets at Beginning of Year</i>	<u>3,235</u>
<i>Net Assets at End of Year</i>	<u><u>\$3,244</u></u>

See accompanying notes to the basic financial statements

**Fayetteville-Perry Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

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

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

The Fayetteville-Perry Local School District was established in 1895. The School District serves an area of approximately 62 square miles. It is located in Brown County and includes the Village of Fayetteville and Perry Township. The School District is staffed by 36 non-certificated employees, 57 certificated personnel and 6 administrative employees who provide services to 991 students and other community members. The School District currently operates two instructional buildings.

*Reporting Entity:*

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Fayetteville-Perry Local School District, this includes general operations, food service, and student related activities of the School District.

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

The School District participates in five organizations, three of which are defined as jointly governed organizations, one as a public entity shared risk and insurance purchasing pool, and one as an insurance purchasing pool. These organizations are the South Central Ohio Computer Association, the Southern Hills Joint Vocational School District, the Unified Purchasing Cooperative of the Ohio River Valley, the Brown County Schools Benefits Consortium, and the Ohio Association of School Business Officials Workers’ Compensation Group Rating Plan. These organizations are presented in notes 16, 17, and 18 of the basic financial statements.

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

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

**A. Basis of Presentation**

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

*Government-wide Financial Statements*

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

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

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

*Fund Financial Statements*

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

**B. Fund Accounting**

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

*Governmental Funds*

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

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

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

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

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

*Fiduciary Funds:*

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

**C. Measurement Focus**

*Government-wide Financial Statements:*

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

*Fund Financial Statements:*

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

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

**D. Basis of Accounting**

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

*Fayetteville-Perry Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

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

*Revenues - Exchange and Non-exchange Transactions:*

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See note 8). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available for advance and grants.

*Deferred Revenue:*

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

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

*Expenses/Expenditures:*

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

*Fayetteville-Perry Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

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

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

**E. Cash and Cash Equivalents**

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

During fiscal year 2011, the School District's investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2011.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2011 amounted to \$15,149, which includes \$9,347 assigned from other School District funds.

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

**F. Inventory**

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

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

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

**H. Capital Assets**

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

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

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

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

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

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

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

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



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

As permitted by State statute, the School District paid bond issuance costs from the bond proceeds and therefore, does not consider that portion of the debt to be capital-related debt. That portion of the debt was offset against the unamortized bond issuance costs which were included in the determination of unrestricted net assets. Reporting both within the same element prevents one classification from being overstated while another is understated by the same amount.

**J. Compensated Absences**

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

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

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

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

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

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

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

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

**L. Interfund Balances**

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

**M. Net Assets**

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

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

**N. Internal Activity**

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

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

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.

**O. 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 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**P. Budgetary Process**

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

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

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

**Q. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the School is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

**Nonspendable** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

**Restricted** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

*Fayetteville-Perry Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

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

**Committed** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the School District Board of Education.

**Unassigned** Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES**

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the following change to fund balances at June 30, 2010, as previously reported:

	<u>General Fund</u>	<u>All Other Governmental Funds</u>
Fund Balance, June 30, 2010, as previously reported	\$409,657	\$1,575,752
Reclassification of Funds	43,195	(43,195)
Fund Balance, June 30, 2010, as restated	<u>\$452,852</u>	<u>\$1,532,557</u>

**Fayetteville-Perry Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

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**NOTE 4 - FUND BALANCES**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Debt Service	Other Governmental Funds	Total
<b><i>Nonspendable</i></b>				
Inventory	\$0	\$0	\$13,995	\$13,995
<b><i>Restricted for</i></b>				
Debt Payments	0	1,508,137	0	1,508,137
Food Service Operations	0	0	44,253	44,253
Miscellaneous Grants	0	0	38,378	38,378
District Managed Activity	0	0	48,534	48,534
Capital Maintenance	0	0	208,379	208,379
Capital Improvements	0	0	806,704	806,704
<b><i>Total Restricted</i></b>	<b>0</b>	<b>1,508,137</b>	<b>1,146,248</b>	<b>2,654,385</b>
<b><i>Assigned to</i></b>				
Other Purposes	149,963	0	0	149,963
<b><i>Unassigned (Deficit)</i></b>				
	685,574	0	(39,507)	646,067
<b><i>Total Fund Balances</i></b>	<b>\$835,537</b>	<b>\$1,508,137</b>	<b>\$1,120,736</b>	<b>\$3,464,410</b>

**NOTE 5 - ACCOUNTABILITY**

At June 30, 2011, the Title VI-B, Title I, and Title VI-R Special Revenue Funds had deficit fund balances in the amounts of \$9,672, \$23,281, and \$6,554, respectively. The deficits in these funds were created by the recognition of accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**NOTE 6 - BUDGETARY BASIS OF ACCOUNTING**

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

*Fayetteville-Perry Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

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**NOTE 6 - BUDGETARY BASIS OF ACCOUNTING** (continued)

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed or assigned fund balance (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget basis) as opposed to Balance Sheet transactions (GAAP basis).

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

Net Change in Fund Balance	
GAAP Basis	\$382,685
Adjustments:	
Revenue Accruals	(84,191)
Expenditure Accruals	(105,713)
Encumbrances	(175,271)
Advances	(451)
Budget Basis	\$17,059

**NOTE 7 - DEPOSITS AND INVESTMENTS**

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

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

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

*Fayetteville-Perry Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

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**NOTE 7 - DEPOSITS AND INVESTMENTS** (continued)

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

*Fayetteville-Perry Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

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**NOTE 7 - DEPOSITS AND INVESTMENTS** (continued)

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution.

As of June 30, 2011, the School District's bank balance of \$1,148,707 either covered by FDIC or collateralized by the financial institution's public entity deposit pools in the manner described above.

Investments

As of June 30, 2011, the School District had the following investments, which are in an internal investment pool:

	<u>Fair Value</u>	<u>Maturity</u>	<u>Standard and Poor's Rating</u>
STAROhio	<u>\$2,566,467</u>	Average 58.3 Days	AAAm

Interest Rate Risk

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

Credit Risk

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



*Fayetteville-Perry Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

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**NOTE 8 - PROPERTY TAXES**

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

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

Public utility property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in calendar year 2011 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2011 (other than public utility property tax) represents the collection of calendar year 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Brown County. The Brown County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**Fayetteville-Perry Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

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**NOTE 8 - PROPERTY TAXES** (continued)

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2011, was \$486,528 in the General Fund, \$211,333 in the Debt Service Fund and \$33,490 in the Other Governmental Funds. The amount available as an advance at June 30, 2010, was \$402,347 in the General Fund, \$175,021 in the Debt Service Fund and \$27,721 in the Other Governmental Funds.

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

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

	2010 Second - Half Collections		2011 First - Half Collections	
	Amount	Percentage	Amount	Percentage
Real Estate	\$92,002,530	97.51%	\$92,315,900	97.58%
Public Utility Personal	2,230,410	2.36%	2,289,960	2.42%
General Business Personal	135,345	0.13%	0	0.00%
Total Assessed Value	<u>\$94,368,285</u>	<u>100.00%</u>	<u>\$94,605,860</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$39.80		\$39.80	

**NOTE 9 - RECEIVABLES**

Receivables at June 30, 2011, consisted of interfund, intergovernmental and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

**Fayetteville-Perry Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

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**NOTE 9 – RECEIVABLES** (continued)

A summary of the principal items of intergovernmental receivables follows:

	Amounts
<u>Governmental Activities:</u>	
Drug Free Grant	\$490
Title I Grant	28,778
Title II-A Grant	6,531
IDEA-B Grant	15,969
Total Intergovernmental Receivables	\$51,768

**NOTE 10 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2011, was as follows:

	Balance at 6/30/10	Additions	Deductions	Balance at 6/30/11
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$89,380	\$0	\$0	\$89,380
Construction in Progress	131,111	876,609	0	1,007,720
Total Capital Assets Not Being Depreciated	220,491	876,609	0	1,097,100
Capital Assets Being Depreciated:				
Land Improvements	1,317,121	0	0	1,317,121
Buildings and Improvements	26,476,863	0	0	26,476,863
Furniture, Fixtures and Equipment	1,063,164	18,259	0	1,081,423
Vehicles	1,017,086	0	0	1,017,086
Total Capital Assets Being Depreciated	29,874,234	18,259	0	29,892,493
Less Accumulated Depreciation:				
Land Improvements	(124,508)	(107,954)	0	(232,462)
Buildings and Improvements	(604,463)	(596,718)	0	(1,201,181)
Furniture, Fixtures and Equipment	(419,376)	(76,179)	0	(495,555)
Vehicles	(771,523)	(42,017)	0	(813,540)
Total Accumulated Depreciation	(1,919,870)	(822,868) *	0	(2,742,738)
Total Capital Assets Being Depreciated, Net	27,954,364	(804,609)	0	27,149,755
Governmental Activities Capital Assets, Net	\$28,174,855	\$72,000	\$0	\$28,246,855

*Fayetteville-Perry Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

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**NOTE 10 - CAPITAL ASSETS** (continued)

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

Instruction:	
Regular	\$367,064
Special	38,201
Vocational	4,775
Support Services:	
Pupils	4,775
Instructional Staff	75,917
Administration	50,690
Fiscal	14,325
Operation and Maintenance of Plant	84,081
Pupil Transportation	97,000
Operation of Non-Instructional Services - Food Services	70,084
Extracurricular Activities	15,956
Total Depreciation Expense	<u><u>\$822,868</u></u>

**NOTE 11 - RISK MANAGEMENT**

**A. Property and Liability Insurance**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the School District contracted with Ohio Casualty Insurance for general liability insurance with a \$1,000,000 single occurrence limit and a \$2,000,000 aggregate. Property is protected by Ohio Casualty Insurance and holds a \$1,000 deductible.

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

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

**NOTE 11 - RISK MANAGEMENT** (continued)

**B. Workers' Compensation**

For fiscal year 2011, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of CompManagement Inc. provides administrative, cost control, and actuarial services to the GRP.

**C. Employee Medical and Dental Benefits**

The School District participates in the Brown County Schools Benefits Consortium (the Consortium), a public entity shared risk and insurance purchasing pool (note 17) consisting of nine districts. The Consortium has elected to have United Healthcare provide medical coverage purchased as a group through the Consortium. Dental coverage is being provided through a shared risk pool based on member districts' number of employees. The School District is responsible for providing a current listing of enrolled employees and for providing timely pro-rata payments of premiums to the Consortium for employee health coverage and dental benefits. The Consortium is responsible for the management and operations of the program. Upon termination from the Consortium, for any reason, the terminated member relinquishes their portion of equity in the Consortium's cash pool.

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

**NOTE 12 - DEFINED BENEFIT PENSION PLANS** (continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District’s contribution is used to fund pension and death benefit obligations with the remainder being used to fund health care benefits; for fiscal year 2011, 11.81 percent of annual covered salary was the portion used to fund pension and death benefit obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District’s required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$120,552, \$192,643, and \$116,630, respectively; For fiscal year 2011, 68.31 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

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

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

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

*Fayetteville-Perry Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

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**NOTE 12 - DEFINED BENEFIT PENSION PLANS** (continued)

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

Funding Policy – For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2010, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$416,512, \$477,427, and \$467,174, respectively. For fiscal year 2011, 84.06 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$18,740 made by the School District and \$13,386 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2011, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$35,800.

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

The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$37,927, \$33,506, and \$78,926, respectively; For fiscal year 2011, 68.31 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$7,758, \$11,456, and \$9,623, respectively; For fiscal year 2011, 68.31 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.



**NOTE 13 - POSTEMPLOYMENT BENEFITS** (continued)

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

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The School District’s contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$32,039, \$36,725, and \$35,936, respectively; For fiscal year 2011, 84.06 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

**NOTE 14 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

**B. Special Termination Benefit**

The School District offers an Early Retirement Incentive program to all employees who are eligible to retire from either SERS or STRS Ohio. If an employee chooses to retire in the first year in which they become eligible, they will be compensated for one-half of the accrued, but unused sick leave credit to a maximum of 103 days.

**Fayetteville-Perry Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

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**NOTE 14 - EMPLOYEE BENEFITS** (continued)

**C. Health Care Benefits**

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

**NOTE 15 - LONG-TERM OBLIGATIONS**

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

	Amount Outstanding 6/30/10	Additions	Deductions	Amount Outstanding 6/30/11	Amounts Due in One Year
<u>Governmental Activities:</u>					
School Improvement Refunding					
Bonds 2006 3.75 - 4.50%	\$8,095,000	\$0	\$335,000	\$7,760,000	\$345,000
Premium on Refunding Bonds	110,448	0	4,602	105,846	0
Loss on Refunding	(88,668)	0	(3,695)	(84,973)	0
Compensated Absences	373,259	99,155	58,142	414,272	48,594
Total Governmental Activities					
Long-Term Obligations	<u>\$8,490,039</u>	<u>\$99,155</u>	<u>\$394,049</u>	<u>\$8,195,145</u>	<u>\$393,594</u>

**School Improvement Refunding Bonds 2006**

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

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

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

**Fayetteville-Perry Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

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**NOTE 15 - LONG-TERM OBLIGATIONS** (continued)

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

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

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

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

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

The School District defeased the 1996 School Improvement Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments due on the old bonds. Accordingly, the trust assets and the liability of the defeased bonds are not included in the School District's financial statements. As of June 30, 2011, \$1,210,000 of the bonds was unmatured and unpaid.

**Fayetteville-Perry Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

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**NOTE 15 - LONG-TERM OBLIGATIONS** (continued)

Principal and interest requirements to retire the school improvement refunding bonds outstanding at June 30, 2011, are as follows:

School Improvement Refunding Bonds 2007			
Fiscal year Ending June 30,	Principal	Interest	Total
2012	\$345,000	\$328,135	\$673,135
2013	360,000	314,208	674,208
2014	380,000	299,218	679,218
2015	390,000	283,238	673,238
2016	400,000	266,548	666,548
2017-2020	1,355,000	1,167,307	2,522,307
2021-2025	1,320,000	865,508	2,185,508
2026-2030	1,630,000	544,252	2,174,252
2031-2034	1,580,000	146,025	1,726,025
Total	\$7,760,000	\$4,214,439	\$11,974,439

Compensated absences will be paid from the General Fund.

The School District's overall legal debt margin was \$2,262,664 with an unvoted debt margin of \$94,606 at June 30, 2011.

**NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS**

**A. South Central Ohio Computer Association**

The School District is a participant in the South Central Ohio Computer Association (SCOCA), which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Adams, Brown, Highland, Pike, Ross, Scioto, Vinton, Jackson, Lawrence, Pickaway, and Gallia Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District paid SCOCA \$63,079 for services provided during the fiscal year. Financial information can be obtained from the fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, Treasurer, at P.O. Box 577, 175 Beaver Creek Rd., Piketon, Ohio, 45661.

**NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS** (continued)

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

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

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

The Unified Purchasing Cooperative of the Ohio River Valley (UPC) is a purchasing cooperative made up of 44 public school districts and three joint vocational school districts in Brown, Butler, Clermont and Hamilton Counties in Ohio, as well as districts in Kentucky and Indiana. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the UPC.

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

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

**NOTE 17 - PUBLIC ENTITY SHARED RISK AND INSURANCE PURCHASING POOL**

**Brown County Schools Benefits Consortium**

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

**NOTE 18 - INSURANCE PURCHASING POOL**

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

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

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

**Fayetteville-Perry Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

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**NOTE 19 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

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

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

	Textbooks and Instructional Materials	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2010	(\$578,538)	\$0
Current Fiscal Year Set-aside Requirement	145,378	145,378
Current Fiscal Year Qualifying Disbursements	(46,248)	(398,602)
Totals	(\$479,408)	(\$253,224)
Set-aside Reserve Balance as of June 30, 2011	\$0	\$0
Required Set-aside Balances Carried Forward to FY 2012	(\$479,408)	\$0

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

**NOTE 20 - 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, 2011.

**B. Litigation**

The School District is not party to any legal proceedings.

**Fayetteville-Perry Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

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**NOTE 21 - INTERFUND ACTIVITY**

As of June 30, 2011, receivables and payables that resulted from various interfund transactions were as follows:

	Receivable
	<u>General Fund</u>
Payable	<u>\$451</u>
Other Governmental Funds	

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



**Fayetteville-Perry Local School District**  
Brown County

Schedule of Federal Awards Receipts and Expenditures  
For the Year Ended June 30, 2011

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>United States Department of Agriculture</b>						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
School Breakfast Program	3L70	10.553	\$ 45,442	\$ -	\$ 45,442	\$ -
National School Lunch Program	3L60	10.555	133,268	48,237	133,267	48,237
Total Nutrition Cluster			178,710	48,237	178,709	48,237
<b>Total United States Department of Agriculture</b>			178,710	48,237	178,709	48,237
<b>United States Department of Education</b>						
<i>Passed through Ohio Department of Education:</i>						
<i>Title I, Part A Cluster</i>						
Title I Grants to Local Education Agencies	3M00	84.010	116,152	-	113,076	-
Title I Grants to Local Education Agencies ARRA	3DK0	84.389	42,644	-	42,202	-
Total Title I, Part A Cluster			158,796	-	155,278	-
<i>Special Education Cluster (IDEA)</i>						
Special Education Grants to States	3M20	84.027	155,718	-	155,718	-
Special Education Grants to States ARRA	3DJ0	84.391	72,140	-	72,140	-
Total Special Education Cluster (IDEA)			227,858	-	227,858	-
<i>Education Technology State Grants Cluster</i>						
Education Technology State Grants	3S20	84.318	1,386	-	567	-
Total Education Technology State Grants Cluster			1,386	-	567	-
<i>State Fiscal Stabilization Fund Cluster</i>						
State Fiscal Stabilization Fund (SFSF) - Education State Grants - ARRA	GRF	84.394	368,312	-	440,488	-
Total State Fiscal Stabilization Fund Cluster			368,312	-	440,488	-
<i>Safe and Drug Free Schools and Communities - State Grants</i>						
Safe and Drug Free Schools and Communities - State Grants	3D10	84.186	595	-	1,046	-
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, ARRA	3FD0	84.395	5,401	-	5,401	-
Improving Teacher Quality - State Grants	3Y60	84.367	30,119	-	30,119	-
<b>Total United States Department of Education</b>			792,467	-	860,757	-
<b>Total Federal Financial Assistance</b>			\$ 971,177	\$ 48,237	\$ 1,039,466	\$ 48,237

See Notes to the Schedule of Federal Awards Receipts and Expenditures.

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

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

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**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of federal awards receipts and expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B - FOOD DISTRIBUTIONS**

Non monetary assistance is reported in the schedule at the entitlement value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2011, the District had no significant food commodities in inventory.



## Balestra, Harr & Scherer, CPAs, Inc.

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### **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards***

Members of the Board of Education  
Fayetteville-Perry Local School District  
501 South Apple Street  
Fayetteville, Ohio 45118-0281

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fayetteville-Perry Local School District, Brown County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 23, 2011 wherein we noted that the District implemented GASB Statements No. 54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control over Financial Reporting**

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

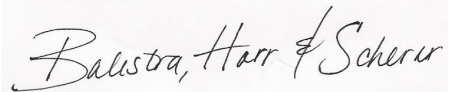
*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.  
November 23, 2011



# Balestra, Harr & Scherer, CPAs, Inc.

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## Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

Members of the Board of Education  
Fayetteville-Perry Local School District  
501 South Apple Street  
Fayetteville, Ohio 45118-0281

### Compliance

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

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

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

### Internal Control Over Compliance

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

Members of the Board of Education  
Fayetteville-Perry Local School District  
Report on Compliance with Requirements Applicable to each Major Federal Program and on  
Internal Control Over Compliance Required by OMB Circular A-133  
Page 2

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

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

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



Balestra, Harr & Scherer, CPAs, Inc.  
November 23, 2011

**Fayetteville-Perry Local School District  
Brown County, Ohio**

**Schedule of Findings  
OMB Circular A-133 Section §.505  
June 30, 2011**

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

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

**Fayetteville-Perry Local School District  
Brown County, Ohio**

**Schedule of Findings  
*OMB Circular A-133 Section §.505*  
June 30, 2011**

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

**None noted**

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

**None noted**





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## Independent Auditor's Report on Applying Agreed Upon Procedures

Members of the Board of Education  
Fayetteville-Perry Local School District  
Brown County  
501 South Apple Street  
Fayetteville, Ohio 45118-0281

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on April 15, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

Balestra, Harr & Scherer, CPAs, Inc.

November 23, 2011

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# Dave Yost • Auditor of State

FAYETTEVILLE PERRY LOCAL SCHOOL DISTRICT  
BROWN COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
FEBRUARY 2, 2012