



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

**REGULAR AUDIT**

**FOR THE FISCAL YEARS ENDED JUNE 30, 2001 - 2000**



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

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**STATE OF OHIO**



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

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## REPORT OF INDEPENDENT ACCOUNTANTS

Fayetteville-Perry Local School District  
Brown County  
501 South Apple Street  
Fayetteville, Ohio 45118

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Fayetteville-Perry Local School District, Brown County, Ohio (the District), as of and for the fiscal years ended June 30, 2001 and 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2001 and 2000, and the results of its operations and the cash flows of its proprietary fund type for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2002, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**Jim Petro**  
Auditor of State

February 14, 2002

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**FAYETTEVILLE-PERRY LOCAL SCHOOL DISTRICT**

Brown County, Ohio

Combined Balance Sheet

All Fund Types and Account Groups

June 30, 2001

	<b>GOVERNMENTAL FUND TYPES</b>			
	General	Special Revenue	Debt Service	Capital Projects
<b><u>Assets and Other Debits:</u></b>				
<b><u>Assets:</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$995,269	\$103,013	\$323,256	\$77,981
Receivables:				
Property Taxes	1,116,613	27,385	296,373	51,098
Accounts	689	0	0	0
Intergovernmental	0	4,863	0	0
Prepaid Items	18,570	1,543	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	0	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	45,379	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<b><u>Other Debits:</u></b>				
Amount Available in Debt Service Fund for Retirement of General Long-Term Obligations	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
<b>Total Assets and Other Debits</b>	<b>\$2,176,520</b>	<b>\$136,804</b>	<b>\$619,629</b>	<b>\$129,079</b>
<b><u>Liabilities, Fund Equity and Other Credits:</u></b>				
<b><u>Liabilities:</u></b>				
Accounts Payable	\$14,341	\$2,253	\$0	\$0
Accrued Wages and Benefits Payable	410,506	12,936	0	0
Compensated Absences Payable	4,278	0	0	0
Intergovernmental Payable	89,013	2,310	0	0
Deferred Revenue	935,603	22,860	247,500	42,048
Undistributed Monies	0	0	0	0
Judgments Payable	0	0	0	0
Capital Leases Payable	0	0	0	0
Energy Conservation Loan Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
<b>Total Liabilities</b>	<b>1,453,741</b>	<b>40,359</b>	<b>247,500</b>	<b>42,048</b>
<b><u>Fund Equity and Other Credits:</u></b>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	313,401	13,400	0	2,345
Reserved for Property Taxes	181,010	4,525	48,873	9,050
Reserved for Bus Purchase	45,379	0	0	0
Unreserved:				
Undesignated	182,989	78,520	323,256	75,636
<b>Total Fund Equity and Other Credits</b>	<b>722,779</b>	<b>96,445</b>	<b>372,129</b>	<b>87,031</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$2,176,520</b>	<b>\$136,804</b>	<b>\$619,629</b>	<b>\$129,079</b>

See Accompanying Notes to the General Purpose Financial Statements



<i>PROPRIETARY FUND TYPE</i>	<i>FIDUCIARY FUND TYPE</i>	<i>ACCOUNT GROUPS</i>		Totals (Memorandum Only)
Enterprise	Agency	General Fixed Assets	General Long-Term Obligations	
\$84,314	\$36,526	\$0	\$0	\$1,620,359
0	0	0	0	1,491,469
53	0	0	0	742
0	0	0	0	4,863
0	0	0	0	20,113
5,015	0	0	0	5,015
1,245	0	0	0	1,245
0	0	0	0	45,379
175,070	0	16,343,325	0	16,518,395
0	0	0	372,129	372,129
0	0	0	2,993,255	2,993,255
<u>\$265,697</u>	<u>\$36,526</u>	<u>\$16,343,325</u>	<u>\$3,365,384</u>	<u>\$23,072,964</u>
\$556	\$0	\$0	\$0	\$17,150
14,988	0	0	0	438,430
0	0	0	461,280	465,558
11,409	0	0	45,059	147,791
3,498	0	0	0	1,251,509
0	36,526	0	0	36,526
0	0	0	3,000	3,000
0	0	0	12,804	12,804
0	0	0	73,875	73,875
0	0	0	2,769,366	2,769,366
<u>30,451</u>	<u>36,526</u>	<u>0</u>	<u>3,365,384</u>	<u>5,216,009</u>
0	0	16,343,325	0	16,343,325
182,953	0	0	0	182,953
52,293	0	0	0	52,293
0	0	0	0	329,146
0	0	0	0	243,458
0	0	0	0	45,379
0	0	0	0	660,401
<u>235,246</u>	<u>0</u>	<u>16,343,325</u>	<u>0</u>	<u>17,856,955</u>
<u>\$265,697</u>	<u>\$36,526</u>	<u>\$16,343,325</u>	<u>\$3,365,384</u>	<u>\$23,072,964</u>

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**FAYETTEVILLE-PERRY LOCAL SCHOOL DISTRICT**

Brown County, Ohio

Combined Statement of Revenues, Expenditures  
and Changes in Fund Balances  
All Governmental Fund Types  
For the Fiscal Year Ended June 30, 2001

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b><u>Revenues:</u></b>					
Property Taxes	\$1,117,564	\$26,219	\$283,157	\$52,392	\$1,479,332
Intergovernmental	3,733,421	210,397	32,282	200,595	4,176,695
Interest	89,493	237	0	2,028	91,758
Tuition and Fees	21,225	0	0	0	21,225
Extracurricular Activities	0	48,338	0	0	48,338
Gifts and Donations	0	18,309	0	0	18,309
Rent	9,402	0	0	0	9,402
Miscellaneous	0	9,846	0	0	9,846
<b>Total Revenues</b>	<b>4,971,105</b>	<b>313,346</b>	<b>315,439</b>	<b>255,015</b>	<b>5,854,905</b>
<b><u>Expenditures:</u></b>					
Current:					
Instruction:					
Regular	2,086,565	40,036	0	117,374	2,243,975
Special	488,892	81,278	0	0	570,170
Vocational	78,535	0	0	0	78,535
Other	0	20,687	0	0	20,687
Support Services:					
Pupils	107,288	22,436	0	0	129,724
Instructional Staff	305,748	38,370	0	41,695	385,813
Board of Education	20,980	0	0	0	20,980
Administration	539,727	0	0	0	539,727
Fiscal	171,993	749	8,093	3,998	184,833
Operation and Maintenance of Plant	515,440	24,613	0	20,159	560,212
Pupil Transportation	333,791	0	0	4,102	337,893
Operation of Non-Instructional Services					
Extracurricular Activities	90,727	61,048	0	0	151,775
Capital Outlay	0	0	0	3,885	3,885
Debt Service:					
Principal Retirement	123,902	0	142,065	75,000	340,967
Interest and Fiscal Charges	10,218	0	163,225	4,669	178,112
<b>Total Expenditures</b>	<b>4,873,806</b>	<b>290,139</b>	<b>313,383</b>	<b>270,882</b>	<b>5,748,210</b>
Excess of Revenues Over (Under) Expenditures	97,299	23,207	2,056	(15,867)	106,695
<b><u>Other Financing Sources (Uses):</u></b>					
Proceeds from Sale of Bonds	195,579	0	0	51,787	247,366
Proceeds from Sale of Fixed Assets	577	0	0	0	577
Operating Transfers In	0	0	29,251	0	29,251
Operating Transfers Out	(29,251)	0	0	0	(29,251)
<b>Total Other Financing Sources (Uses)</b>	<b>166,905</b>	<b>0</b>	<b>29,251</b>	<b>51,787</b>	<b>247,943</b>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	264,204	23,207	31,307	35,920	354,638
Fund Balances at Beginning of Year	458,575	73,238	340,822	51,111	923,746
Fund Balances at End of Year	\$722,779	\$96,445	\$372,129	\$87,031	\$1,278,384

See Accompanying Notes to the General Purpose Financial Statements

**FAYETTEVILLE-PERRY LOCAL SCHOOL DISTRICT**  
 Brown County, Ohio  
 Combined Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Budget and Actual (Budget Basis)  
 All Governmental Fund Types  
 For the Fiscal Year Ended June 30, 2001

	<b>GENERAL FUND</b>			<b>SPECIAL REVENUE FUNDS</b>		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Revenues:</u></b>						
Property Taxes	\$1,089,585	\$1,105,602	\$16,017	\$26,500	\$25,819	(\$681)
Intergovernmental	3,733,182	3,722,002	(11,180)	213,160	206,530	(6,630)
Interest	50,000	89,493	39,493	200	237	37
Tuition and Fees	0	21,981	21,981	0	0	0
Extracurricular Activities	0	0	0	57,950	48,338	(9,612)
Gifts and Donations	0	0	0	15,600	18,309	2,709
Rent	5,000	8,713	3,713	0	0	0
Miscellaneous	0	2,123	2,123	6,000	9,846	3,846
<b>Total Revenues</b>	<b>4,877,767</b>	<b>4,949,914</b>	<b>72,147</b>	<b>319,410</b>	<b>309,079</b>	<b>(10,331)</b>
<b><u>Expenditures:</u></b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	2,056,150	2,184,339	(128,189)	58,244	40,721	17,523
Special	519,671	519,719	(48)	71,171	81,979	(10,808)
Vocational	159,011	80,124	78,887	0	0	0
Other	0	0	0	38,868	21,244	17,624
<b>Support Services:</b>						
Pupils	113,626	110,226	3,400	30,107	22,436	7,671
Instructional Staff	339,016	300,667	38,349	59,377	36,849	22,528
Board of Education	27,115	20,557	6,558	0	0	0
Administration	595,636	555,589	40,047	0	0	0
Fiscal	166,927	172,967	(6,040)	1,000	749	251
Operation and Maintenance of Plant	638,492	564,599	73,893	42,875	28,736	14,139
Pupil Transportation	378,348	435,961	(57,613)	0	0	0
Operation of Non-Instructional Services	0	0	0	1,500	1,422	78
Extracurricular Activities	127,134	90,457	36,677	70,852	70,462	390
Capital Outlay	0	6,104	(6,104)	0	0	0
<b>Debt Service:</b>						
Principal Retirement	111,834	111,834	0	0	0	0
Interest and Fiscal Charges	8,663	8,663	0	0	0	0
<b>Total Expenditures</b>	<b>5,241,623</b>	<b>5,161,806</b>	<b>79,817</b>	<b>373,994</b>	<b>304,598</b>	<b>69,396</b>
Excess of Revenues Over (Under) Expenditures	(363,856)	(211,892)	151,964	(54,584)	4,481	59,065
<b><u>Other Financing Sources (Uses):</u></b>						
Proceeds From Sale of Bonds	0	195,579	195,579	0	0	0
Proceeds From Sale of Fixed Assets	0	577	577	0	0	0
Refund of Prior Year Expenditures	0	11,418	11,418	0	1,374	1,374
Advances In	0	119,637	119,637	0	0	0
Advances Out	0	0	0	0	0	0
Operating Transfers In	0	0	0	0	0	0
Operating Transfers Out	(67,139)	(29,251)	37,888	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(67,139)</b>	<b>297,960</b>	<b>365,099</b>	<b>0</b>	<b>1,374</b>	<b>1,374</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(430,995)	86,068	517,063	(54,584)	5,855	60,439
Fund Balances at Beginning of Year	499,565	499,565	0	60,652	60,652	0
Prior Year Encumbrances Appropriated	127,273	127,273	0	20,355	20,355	0
<b>Fund Balances at End of Year</b>	<b>\$195,843</b>	<b>\$712,906</b>	<b>\$517,063</b>	<b>\$26,423</b>	<b>\$86,862</b>	<b>\$60,439</b>

See Accompanying Notes to the General Purpose Financial Statements

<i>DEBT SERVICE FUND</i>			<i>CAPITAL PROJECTS FUNDS</i>			<i>TOTALS (MEMORANDUM ONLY)</i>		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$285,000	\$278,846	(\$6,154)	\$52,000	\$51,638	(\$362)	\$1,453,085	\$1,461,905	\$8,820
34,000	32,282	(1,718)	198,737	200,595	1,858	4,179,079	4,161,409	(17,670)
0	0	0	3,000	2,028	(972)	53,200	91,758	38,558
0	0	0	0	0	0	0	21,981	21,981
0	0	0	0	0	0	57,950	48,338	(9,612)
0	0	0	0	0	0	15,600	18,309	2,709
0	0	0	0	0	0	5,000	8,713	3,713
0	0	0	0	0	0	6,000	11,969	5,969
<u>319,000</u>	<u>311,128</u>	<u>(7,872)</u>	<u>253,737</u>	<u>254,261</u>	<u>524</u>	<u>5,769,914</u>	<u>5,824,382</u>	<u>54,468</u>
0	0	0	109,543	118,027	(8,484)	2,223,937	2,343,087	(119,150)
0	0	0	0	0	0	590,842	601,698	(10,856)
0	0	0	0	0	0	159,011	80,124	78,887
0	0	0	0	0	0	38,868	21,244	17,624
0	0	0	0	0	0	143,733	132,662	11,071
0	0	0	71,367	47,100	24,267	469,760	384,616	85,144
0	0	0	0	0	0	27,115	20,557	6,558
0	0	0	60	0	60	595,696	555,589	40,107
9,000	8,093	907	1,000	3,998	(2,998)	177,927	185,807	(7,880)
0	0	0	54,943	22,954	31,989	736,310	616,289	120,021
0	0	0	0	4,102	(4,102)	378,348	440,063	(61,715)
0	0	0	0	0	0	1,500	1,422	78
0	0	0	0	0	0	197,986	160,919	37,067
0	0	0	6,168	3,885	2,283	6,168	9,989	(3,821)
142,067	144,048	(1,981)	48,855	75,000	(26,145)	302,756	330,882	(28,126)
163,223	161,242	1,981	8,863	4,669	4,194	180,749	174,574	6,175
<u>314,290</u>	<u>313,383</u>	<u>907</u>	<u>300,799</u>	<u>279,735</u>	<u>21,064</u>	<u>6,230,706</u>	<u>6,059,522</u>	<u>171,184</u>
4,710	(2,255)	(6,965)	(47,062)	(25,474)	21,588	(460,792)	(235,140)	(116,716)
0	0	0	0	51,787	51,787	0	247,366	247,366
0	0	0	0	0	0	0	577	577
0	0	0	0	0	0	0	12,792	12,792
0	0	0	0	0	0	0	119,637	119,637
0	0	0	(119,637)	(119,637)	0	(119,637)	(119,637)	0
29,251	29,251	0	0	0	0	29,251	29,251	0
0	0	0	0	0	0	(67,139)	(29,251)	37,888
<u>29,251</u>	<u>29,251</u>	<u>0</u>	<u>(119,637)</u>	<u>(67,850)</u>	<u>51,787</u>	<u>(157,525)</u>	<u>260,735</u>	<u>418,260</u>
33,961	26,996	(6,965)	(166,699)	(93,324)	73,375	(618,317)	25,595	643,912
296,260	296,260	0	61,180	61,180	0	917,657	917,657	0
0	0	0	107,780	107,780	0	255,408	255,408	0
<u>\$330,221</u>	<u>\$323,256</u>	<u>(\$6,965)</u>	<u>\$2,261</u>	<u>\$75,636</u>	<u>\$73,375</u>	<u>\$554,748</u>	<u>\$1,198,660</u>	<u>\$643,912</u>

**FAYETTEVILLE-PERRY LOCAL SCHOOL DISTRICT**

Brown County, Ohio  
Combined Statement of Revenues,  
Expenses and Changes in Fund Equity  
Proprietary Fund Type  
For the Fiscal Year Ended June 30, 2001

	<u>Enterprise</u>
<b><u>Operating Revenues:</u></b>	
Sales	\$271,865
<i>Total Operating Revenues</i>	<u>271,865</u>
<b><u>Operating Expenses:</u></b>	
Salaries	76,811
Fringe Benefits	46,030
Purchased Services	29,220
Materials and Supplies	54,391
Cost of Sales	132,938
Depreciation	12,328
<i>Total Operating Expenses</i>	<u>351,718</u>
Operating Loss	<u>(79,853)</u>
<b><u>Non-Operating Revenues (Expenses):</u></b>	
Federal Donated Commodities	19,679
Federal and State Subsidies	57,241
Interest	3,043
Loss on Sale of Fixed Assets	(4,076)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>75,887</u>
Net Loss	(3,966)
Retained Earnings at Beginning of Year	<u>56,259</u>
Retained Earnings at End of Year	52,293
Contributed Capital at Beginning and End of Year	<u>182,953</u>
Total Fund Equity at End of Year	<u><u>\$235,246</u></u>

See Accompanying Notes to the General Purpose Financial Statements

**FAYETTEVILLE-PERRY LOCAL SCHOOL DISTRICT**  
Brown County, Ohio  
Combined Statement of Revenues, Expenses and  
Changes in Fund Equity - Budget and Actual (Budget Basis)  
Proprietary Fund Type  
For the Fiscal Year Ended June 30, 2001

	<b>ENTERPRISE</b>		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Revenues:</u></b>			
Sales	\$248,700	\$271,812	\$23,112
Federal and State Subsidies	68,500	57,241	(11,259)
Interest	4,000	3,043	(957)
<i>Total Revenues</i>	321,200	332,096	10,896
<b><u>Expenses:</u></b>			
Salaries	88,245	89,210	(965)
Fringe Benefits	48,922	30,892	18,030
Purchased Services	29,810	31,363	(1,553)
Materials and Supplies	186,139	171,919	14,220
Capital Outlay	2,699	2,693	6
<i>Total Expenses</i>	355,815	326,077	29,738
Excess of Revenues Over (Under) Expenses	(34,615)	6,019	40,634
Fund Equity at Beginning of Year	60,349	60,349	0
Prior Year Encumbrances Appropriated	9,648	9,648	0
Fund Equity at End of Year	\$35,382	\$76,016	\$40,634

See Accompanying Notes to the General Purpose Financial Statements

*Fayetteville-Perry Local School District  
Brown County, Ohio  
Combined Statement of Cash Flows  
Proprietary Fund Type  
For the Fiscal Year Ended June 30, 2001*

	Enterprise
<b><u>Increase (Decrease) in Cash and Cash Equivalents:</u></b>	
<b><u>Cash Flows from Operating Activities:</u></b>	
Cash Received from Customers	\$271,812
Cash Payments to Suppliers for Goods and Services	(195,979)
Cash Payments to Employees for Services	(89,210)
Cash Payments for Employee Benefits	(30,892)
Net Cash Used for Operating Activities	(44,269)
<b><u>Cash Flows from Noncapital Financing Activities:</u></b>	
Operating Grants Received	57,241
<b><u>Cash Flows from Capital and Related Financing Activities:</u></b>	
Acquisition of Capital Assets	(1,698)
<b><u>Cash Flows from Investing Activities:</u></b>	
Interest on Investments	3,043
Net Increase in Cash and Cash Equivalents	14,317
Cash and Cash Equivalents at Beginning of Year	69,997
Cash and Cash Equivalents at End of Year	\$84,314
<b><u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u></b>	
Operating Loss	(\$79,853)
<b><u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</u></b>	
Depreciation	12,328
Donated Commodities Used During Year	19,679
<b><u>Changes in Assets and Liabilities:</u></b>	
Increase in Accounts Receivable	(53)
Decrease in Inventory Held for Resale	632
Increase in Materials and Supplies Inventory	(297)
Increase in Accounts Payable	556
Increase in Accrued Wages and Benefits	849
Increase in Intergovernmental Payable	1,890
Total Adjustments	35,584
Net Cash Used for Operating Activities	(\$44,269)

See Accompanying Notes to the General Purpose Financial Statements



Fayetteville-Perry Local School District  
Brown County, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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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/or federal guidelines.

The School District was established in 1895 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 62 square miles. It is located in Brown County and includes Perry Township.

*Reporting Entity*

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For 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 following entities which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

Fayetteville-Perry Parent Teacher Association  
Fayetteville-Perry School Boosters

The School District participates in four organizations, two of which are defined as jointly governed organizations, one as a public entity shared risk pool, and one as an insurance purchasing pool. These organizations are the South Central Ohio Computer Association (SCOCA), the Hopewell Special Education Regional Resource Center (Hopewell), the Brown County Schools Benefits Consortium, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 17, 18, and 19 to the general purpose financial statements.

Fayetteville-Perry Local School District  
Brown County, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**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 standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary 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 - Fund Accounting**

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

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

*Governmental Fund Types:*

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

*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.

Fayetteville-Perry Local School District  
Brown County, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

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

*Debt Service Fund* - 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.

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

*Proprietary Fund Type:*

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

*Enterprise Funds* - Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

*Fiduciary Fund Type:*

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The School District's only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

*Account Groups:*

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

*General Fixed Assets Account Group* - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

Fayetteville-Perry Local School District  
Brown County, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

*General Long-Term Obligations Account Group* - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

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

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary funds' operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

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. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of year-end.

Fayetteville-Perry Local School District  
Brown County, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

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 7.) 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 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 as an advance, interest, tuition, grants, student fees and rentals.

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, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

**C. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

Fayetteville-Perry Local School District  
Brown County, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer is authorized to further allocate Board of Education appropriations to the function and object level for all funds.

*Tax Budget:*

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Brown County Budget Commission for rate determination.

*Estimated Resources:*

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001.

*Appropriations:*

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at the legal level of control.

Fayetteville-Perry Local School District  
Brown County, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device by the Board of Education, during the year for all funds, other than agency funds, consistent with statutory provisions.

*Encumbrances:*

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

*Lapsing of Appropriations:*

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**D. Cash and Cash Equivalents**

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

During fiscal year 2001, the District's investments were limited to funds invested in the State Treasury Assets Reserve of Ohio (STAR Ohio) and Repurchase Agreements. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2001.

Fayetteville-Perry Local School District  
Brown County, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

Repurchase agreements are reported at cost.

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 2001 amounted to \$89,493 which includes \$37,984 assigned from other School District funds.

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

**E. Inventory**

Inventories of proprietary funds are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventories of proprietary funds consist of donated food, purchased food held for resale and supplies, and are expensed when used.

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**G. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

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. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.



Fayetteville-Perry Local School District  
Brown County, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund type is computed using the straight-line method over an estimated useful life of five to twenty years.

**H. 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. 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 vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for all employees after 15 years of service. For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group.

**I. Accrued Liabilities and Long-term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, judgements, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are considered not to have used current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

Fayetteville-Perry Local School District  
Brown County, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

**J. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**K. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent grant revenues for the purchase of buses.

**L. Fund Balance Reserves**

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

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

**M. Estimates**

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

**N. Contributed Capital**

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at fiscal year end.

Fayetteville-Perry Local School District  
Brown County, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1995, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

**O. Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "Totals - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2001, the School District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," and GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues," - an amendment of GASB No. 33, which changes how the School District reports certain types of revenues. The implementation of these statements had no material effect on the School District at June 30, 2000.

**NOTE 4 - ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

The Title I Special Revenue Fund has a deficit fund balance of \$9,960. The general fund provides transfers to cover the deficit balance; however, this is done when cash is needed rather than when accruals occur.

**B. Compliance**

The School District did not certify the availability of funds for certain commitments.

Fayetteville-Perry Local School District  
Brown County, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 5 - BUDGET TO GAAP RECONCILIATION**

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - Proprietary Fund Type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis); and
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balances sheet transactions (GAAP basis).

Fayetteville-Perry Local School District  
Brown County, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 5 - BUDGET TO GAAP RECONCILIATION** (Continued)

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$264,204	\$23,207	\$31,307	\$35,920
Adjustments:				
Revenue Accruals	(9,773)	(2,893)	(4,311)	(754)
Expenditure Accruals	39,742	1,692	0	(6,508)
Encumbrances	(327,742)	(16,151)	0	(2,345)
Advances	119,637	0	0	(119,637)
Budget Basis	\$86,068	\$5,855	\$26,996	(\$93,324)

Net Loss/Excess of Revenues  
Over Expenses  
Proprietary Fund Type

	Enterprise
GAAP Basis	(\$3,966)
Adjustments:	
Revenue Accruals	(53)
Expense Accruals	12,117
Loss on Disposal of Fixed Assets	(4,076)
Capital Acquisitions	(1,698)
Depreciation Expense	12,328
Inventory Held for Resale	(632)
Materials and Supplies Inventory	297
Encumbrances	(8,298)
Budget Basis	\$6,019

Fayetteville-Perry Local School District  
Brown County, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 6 - DEPOSITS AND INVESTMENTS**

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim 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 accounts, including passbook accounts.

Protection of the School District's deposits is provided by the 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.

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

Fayetteville-Perry Local School District  
Brown County, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 6 - DEPOSITS AND INVESTMENTS** (Continued)

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3 "Deposits with Financial Institutions, Investments (Including Repurchase Agreements) and Reverse Repurchase Agreements".

Deposits: At fiscal year-end, the carrying amount of the School District's deposits was (\$67,272) and the bank balance was \$67,000. The entire bank balance was covered by federal depository insurance.

Fayetteville-Perry Local School District  
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**NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)**

Investments: The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is unclassified since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying/Fair Value
STAR Ohio	\$0	\$1,459,825
Repurchase Agreement	273,185	273,185
Total	\$273,185	\$1,733,010

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

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$1,665,738	\$0
Investments:		
STAR Ohio	(1,459,825)	1,459,825
Repurchase Agreement	(273,185)	273,185
GASB Statement No. 3	(\$67,272)	\$1,733,010



Fayetteville-Perry Local School District  
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**NOTE 7 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District 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 located in the School District. Property tax revenue received during calendar 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) are for calendar 2001 taxes.

2001 real property taxes are levied after April 1, 2001, on the assessed value as of January 1, 2001, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2001 real property taxes are collected in and intended to finance fiscal year 2002.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2001 public utility property taxes became a lien December 31, 2000, are levied after April 1, 2001 and are collected in 2002 with real property taxes.

2001 tangible personal property taxes are levied after April 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

Fayetteville-Perry Local School District  
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**NOTE 7 - PROPERTY TAXES** (Continued)

The assessed values upon which the fiscal year 2001 taxes were collected are:

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$45,508,330	89.28%	\$55,288,170	90.87%
Public Utility Property	4,982,880	9.77%	4,982,880	8.19%
Tangible Personal Property	484,160	0.95%	570,693	0.94%
Total Assessed Value	<u>\$50,975,370</u>	<u>100.00%</u>	<u>\$60,841,743</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$41.90		\$41.90	

The School District receives property taxes from Brown County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2001 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue. The amount available as an advance at June 30, 2001, was \$181,010 in the general fund, \$4,525 in the classroom facilities maintenance fund, \$48,873 in the debt service fund, and \$9,050 in the permanent improvement fund.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2001, consisted of property taxes, accounts (tuition and student fees) and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Student fees are also considered collectible in full due to the withholding of diplomas and grade cards.

The Title VI-B Special Revenue fund had a receivable at June 30, 2001 for \$4,863.

Fayetteville-Perry Local School District  
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**NOTE 9 - FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 2001 follows:

Furniture and Equipment	\$305,951
Less: Accumulated Depreciation	<u>(130,881)</u>
Net Fixed Assets	<u><u>\$175,070</u></u>

A summary of the changes in general fixed assets during fiscal year 2001 follows:

Asset Category	Balance at June 30, 2000	Additions	Deletions	Balance at June 30, 2001
Land	\$958,558	\$0	\$0	\$958,558
Buildings and Improvements	12,441,815	100,287	0	12,542,102
Furniture, Fixtures and Equipment	2,214,458	96,458	217,164	2,093,752
Vehicles	<u>684,813</u>	<u>64,100</u>	<u>0</u>	<u>748,913</u>
Totals	<u><u>\$16,299,644</u></u>	<u><u>\$260,845</u></u>	<u><u>\$217,164</u></u>	<u><u>\$16,343,325</u></u>

**NOTE 10 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District contracted with Nationwide Insurance for general liability insurance with a \$2,000,000 single occurrence limit and a \$5,000,000 aggregate. Property is protected by the Nationwide Insurance Company and holds a \$1,000 deductible.

The School District's vehicles are covered by the Nationwide Insurance Company under a business policy and holds a \$100 and \$250 deductible for comprehensive and collision, respectively, with a \$1,000,000 limit on any accident.

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

Fayetteville-Perry Local School District  
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**NOTE 10 - RISK MANAGEMENT** (Continued)

For fiscal year 2001, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

The School District participates in the Brown County School Benefits Consortium (the Consortium), a public entity shared risk pool (Note 18) consisting of seven districts. 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 benefits. The Consortium is responsible for the management and operations of the program. Upon termination from the Consortium, for any reason, the terminated member assumes and is responsible for the payment of any delinquent contributions and all claims of its employees from the date of termination, regardless of the date such claims were incurred.

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Fayetteville-Perry Local School District  
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**NOTE 11 - DEFINED BENEFIT PENSION PLANS** (continued)

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$31,066, \$34,499 and \$48,440, respectively; 39.87 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$18,680 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6.0 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$238,525, \$133,168 and \$102,996, respectively; 84.03 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$38,084 represents the unpaid contribution for fiscal year 2001 and is recorded as a liability within the respective funds.

**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 have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2001, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Fayetteville-Perry Local School District  
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**NOTE 12 - POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$112,986 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 billion. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$84,408.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340 and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Fayetteville-Perry Local School District  
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For the Fiscal Year Ended June 30, 2001

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**NOTE 13 - 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 ten to twenty days of vacation per 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 206 days. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of 30 days. 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 100 days.

**B. Insurance Benefits**

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Fortis Benefits. Dental insurance is provided by the School District to all employees through CoreSource, Inc.

**NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE**

In prior years, the School District has entered into capitalized leases for the acquisition of school buses. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

The vehicles have been capitalized in the general fixed assets account group in the amount of \$56,766. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Total principal payments in fiscal year 2001 were \$59,842.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2001.

Fiscal Year Ending June 30,	GLTOAG
2002	\$13,623
Less: Amount Representing Interest	(819)
Present Value of Net Minimum Lease Payments	\$12,804

Fayetteville-Perry Local School District  
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**NOTE 15 - LONG-TERM OBLIGATIONS**

The change in the School District's long-term obligations during the fiscal year 2001 were as follows:

	Principal Outstanding 6/30/00	Additions	Deductions	Principal Outstanding 6/30/01
<b>General Obligation Debt</b>				
Technology Equipment Acquisition Bonds				
2001    4.78%	\$0	\$112,520	\$0	\$112,520
Various Purpose Refunding Bonds				
2001    4.78%	0	134,846	0	134,846
School Improvement Bonds				
1996    6.00%	2,187,000	0	105,000	2,082,000
School Improvement Bonds				
1995    6.25%	455,000	0	15,000	440,000
Bus Acquisition Bonds				
2000    5.84%	64,060	0	64,060	0
Computer Equipment Acquisition Bonds				
2000    6.06%	75,000	0	75,000	0
<b>Total General Obligation Bonds</b>	<b>2,781,060</b>	<b>247,366</b>	<b>259,060</b>	<b>2,769,366</b>
Energy Conservation Loan				
1993    4.72%	95,940	0	22,065	73,875
Judgment Payable	6,000	0	3,000	3,000
Capital Leases Payable	72,646	0	59,842	12,804
Pension Obligation	46,624	45,059	46,624	45,059
Compensated Absences	430,223	31,057	0	461,280
<b>Total General Long-Term Obligations</b>	<b>\$3,432,493</b>	<b>\$323,482</b>	<b>\$390,591</b>	<b>\$3,365,384</b>

*Technology Equipment Acquisition Bonds*

On June 22, 2001, Fayetteville-Perry Local School District issued \$112,520 in general obligation bonds for the purpose of purchasing technology equipment. The bonds were issued for a period of four years with final maturity on June 5, 2005. The bonds will be retired from the debt service fund.

*Various Purpose Refunding Bonds - Current Refunding*

On June 22, 2001, the School District issued \$134,846 in general obligation bonds with an interest rate of 4.78%. The proceeds were used to refund \$49,350 of the 2000 bus acquisition bonds, \$51,528 of the 2000 computer equipment acquisition bonds, and \$32,666 of a capital lease agreement for a school bus, including \$1,302 in accrued interest. The average interest rate of the refunded debt was 5.95%. The bonds were issued for a period of four years with final maturity on June 5, 2005. The School District issued this debt to reduce yearly debt payments. The bonds will be retired from the debt service fund.



Fayetteville-Perry Local School District  
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For the Fiscal Year Ended June 30, 2001

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

*School Improvement General Obligation Bonds*

On September 1, 1996, Fayetteville-Perry Local School District issued \$2,587,000 in voted general obligation bonds for the purpose of constructing a new high school building. The bonds were issued for a twenty-three year period with final maturity at December 1, 2019. The bonds will be retired from the debt service fund.

*School Improvement General Obligation Bonds*

On September 1, 1995, Fayetteville-Perry Local School District issued \$505,000 in voted general obligation bonds for the purpose of an addition and improvement to the junior high school building. The bonds were issued for a twenty-three year period with final maturity at December 1, 2018. The bonds will be retired from the debt service fund.

*School Bus Acquisition Bonds*

On January 21, 2000, the Fayetteville-Perry Local School District issued \$64,060 in unvoted general obligation bonds for the purpose of purchasing a new school bus. These bonds were issued for a four-year period with final maturity at January 21, 2004. The bonds were retired on June 22, 2001, with proceeds of the various purpose refunding bonds.

*Computer Equipment Acquisition Bonds*

On May 1, 2000, the Fayetteville-Perry Local School District issued \$75,000 in unvoted general obligation bonds for the purpose of purchasing computer equipment. These bonds were issued for a three-year period with final maturity at May 1, 2003. The bonds were retired on June 22, 2001, with proceeds of the various purpose refunding bonds.

*Energy Conservation Loan*

On August 12, 1993, the Fayetteville-Perry Local School District issued \$220,000 in unvoted general obligation debt for the purpose of providing energy conservation measures for the Fayetteville-Perry Local School District, under authority of the Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a ten year period with final maturity during fiscal year 2004. The debt will be retired from the debt service fund. It is anticipated that the savings over ten years will offset the costs.

*Judgment Payable*

The judgment payable is the result of a court case settled in 1996. The prior year balance of \$6,000 is scheduled to be paid in two installments; \$3,000 was paid in February 2001 and \$3,000 will be paid in February 2002 (Note 21). Interest payments are not required by the court settlement. The settlement is being paid from the general fund. These expenditures are reflected as program/function expenditures.

Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid. Capital leases will be paid from the general fund.

Fayetteville-Perry Local School District  
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**NOTE 15 - LONG-TERM OBLIGATIONS** (Continued)

The School District's overall legal debt margin was \$3,182,095, an energy conservation debt margin of \$473,701 with an unvoted debt margin of \$60,842 at June 30, 2001.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2001 are as follows:

Technology Equipment Acquisition Bonds

Fiscal Year Ending June 30,	Principal	Interest	Total
2002	\$26,169	\$5,070	\$31,239
2003	27,436	3,803	31,239
2004	28,762	2,477	31,239
2005	30,153	1,085	31,238
Total	<u>\$112,520</u>	<u>\$12,435</u>	<u>\$124,955</u>

Various Purpose Refunding Bonds

Fiscal Year Ending June 30,	Principal	Interest	Total
2002	\$31,362	\$6,075	\$37,437
2003	32,879	4,558	37,437
2004	34,469	2,968	37,437
2005	36,136	1,301	37,437
Total	<u>\$134,846</u>	<u>\$14,902</u>	<u>\$149,748</u>

Fayetteville-Perry Local School District  
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Notes to the General Purpose Financial Statements  
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**NOTE 15 - LONG-TERM OBLIGATIONS** (Continued)

<u>School Improvement Bonds</u>			
<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$37,000	\$151,291	\$188,291
2003	55,000	148,494	203,494
2004	70,000	144,700	214,700
2005	90,000	139,856	229,856
2006	95,000	134,263	229,263
2007-2011	715,000	558,380	1,273,380
2012-2016	975,000	297,638	1,272,638
2017-2019	485,000	33,275	518,275
Total	<u>\$2,522,000</u>	<u>\$1,607,897</u>	<u>\$4,129,897</u>

<u>Energy Conservation Loan</u>			
<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$22,979	\$6,272	\$29,251
2003	24,421	4,830	29,251
2004	26,475	2,777	29,251
Total	<u>\$73,875</u>	<u>\$13,879</u>	<u>\$87,753</u>

Fayetteville-Perry Local School District  
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**NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the Fayetteville-Perry Local School District as of and for the fiscal year ended June 30, 2001:

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$235,437	\$36,428	\$271,865
Depreciation	12,328	0	12,328
Operating Loss	(77,782)	(2,071)	(79,853)
Donated Commodities	19,679	0	19,679
Operating Grants	57,241	0	57,241
Net Loss	(1,895)	(2,071)	(3,966)
Fixed Asset Additions	1,698	0	1,698
Net Working Capital	40,635	19,541	60,176
Total Assets	246,156	19,541	265,697
Total Equity	215,705	19,541	235,246
Encumbrances Outstanding at June 30, 2001	(5,893)	(2,405)	(8,298)

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

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 Highland, Adams, Pike, Scioto, Brown, Ross, Jackson, Vinton and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. 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 the fiscal agent. The School District paid SCOCA \$4,068 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School, Tonya Cooper, who serves as Treasurer, at P.O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

Fayetteville-Perry Local School District  
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**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS** (Continued)

The Hopewell Special Education Regional Resource Center (Hopewell) is a jointly governed organization created by the Ohio Department of Education at the request of the participating school districts to offer direct and related services to low incidence handicapped students of the region. Seventeen local, city, and exempted village school districts receive services from Hopewell. Hopewell is operated under regulations and policies established by the Ohio Department of Education, and its own governing board. The governing board is made up of superintendents from the seventeen school districts, plus a representative from the county board of education, a representative from the board of mental retardation and developmental disabilities, two joint vocational school superintendents and five parents of handicapped children living in the region. The Clinton-Fayette-Highland Educational Service Center acts as fiscal agent. Hopewell receives funding from the contracts with each of the member school districts and Federal and State grants. To obtain financial information write to Hopewell at the Clinton-Fayette-Highland Educational Service Center, 62 Laurel Dr., Wilmington, Ohio 45177.

**NOTE 18 - PUBLIC ENTITY SHARED RISK POOL**

The Brown County Schools Benefits Consortium (the Consortium), a public entity shared risk pool currently operates to provide health insurance coverage to enrolled employees of the Consortium members and to eligible dependents of those enrolled employees. Six Brown County school districts (Eastern Brown, Fayetteville-Perry, Georgetown, Ripley Union Lewis Huntington, Southern Hills Joint Vocational and Western Brown Schools) have entered into an agreement with the Brown County Educational Service Center to form the Brown County Schools Benefits Consortium. The overall objectives of the Consortium are to formulate and administer a program of health insurance for the benefit of the Consortium members' employees and their dependents, to obtain lower costs for health coverage, and to secure cost control by implementing a program of comprehensive loss control. The School District pays premiums based on what the Consortium estimates will cover the costs of all claims for which the Consortium is obligated. If the School District's claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the School District's claims are low, it will not receive a refund. The Consortium views its activities in the aggregate, rather than on an individual entity basis. To obtain financial information write to the Brown County Educational Service Center at 325 West State St., Georgetown, Ohio 45121.

**NOTE 19 - INSURANCE PURCHASING POOL**

The School District participates in The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Fayetteville-Perry Local School District  
Brown County, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 20 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2000	\$0	\$0	\$29,781
Current Year Set-aside Requirement	100,395	100,395	0
Reduction in Requirement Based on Revised Legislation	0	0	(29,781)
Carryover From Prior Year	(33,026)	0	0
Current Year Offsets	(112,520)	(77,457)	0
Qualifying Disbursements	(110,720)	(237,131)	0
Set-aside Reserve Balance as of June 30, 2001	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$155,871)</u>	<u>\$0</u>	<u>\$0</u>

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside and capital acquisition amounts below zero. Only the extra amount for text books may be used to reduce the set-aside requirements in future years. The total reserve balance for the three set-asides at the end of the fiscal year was \$0.

**NOTE 21 - 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, 2001.

Fayetteville-Perry Local School District  
Brown County, Ohio  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 21 - CONTINGENCIES** (Continued)

**B. Litigation:**

On December 24, 1996 a case against the School District was settled. The School District was required to pay the defendant a total of \$58,000 over the next six years. As of June 30, 2001, \$3,000 remains to be paid and is included in the General Long-Term Obligations Account Group as "judgments payable."

**NOTE 22 - SUBSEQUENT EVENTS**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of February 14, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and reconsideration will have on its future State funding and on its financial operations.

*Fayetteville-Perry Local School District  
Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 2000*

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b><u>Assets and Other Debits:</u></b>				
<b><u>Assets:</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$557,827	\$81,008	\$296,260	\$168,960
Receivables:				
Taxes	1,014,025	24,418	249,390	25,066
Accounts	739	0	0	0
Intergovernmental	2,140	995	0	0
Interfund Receivable	119,637	0	0	0
Prepaid Items	10,159	1,859	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	0	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	69,011	0	0	0
Fixed Assets (Net of Accumulated Depreciation)	0	0	0	0
<b><u>Other Debits:</u></b>				
Amount Available in Debt Service Fund for the Retirement of General Obligations	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
<b>Total Assets and Other Debits</b>	<b><u>\$1,773,538</u></b>	<b><u>\$108,280</u></b>	<b><u>\$545,650</u></b>	<b><u>\$194,026</u></b>
<b><u>Liabilities</u></b>				
<b><u>Fund Equity and Other Credits:</u></b>				
<b><u>Liabilities:</u></b>				
Accounts Payable	\$9,232	\$1,113	\$0	\$6,348
Accrued Wages and Benefits	373,495	11,530	0	0
Compensated Absences Payable	6,682	0	0	0
Interfund Payable	0	0	0	119,637
Intergovernmental Payable	80,577	2,107	0	160
Deferred Revenue	844,977	20,292	204,828	16,770
Undistributed Monies	0	0	0	0
Judgements Payable	0	0	0	0
Capital Leases Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Energy Conservation Loans Payable	0	0	0	0
<b>Total Liabilities</b>	<b><u>1,314,963</u></b>	<b><u>35,042</u></b>	<b><u>204,828</u></b>	<b><u>142,915</u></b>
<b><u>Fund Equity and Other Credits:</u></b>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	118,041	19,300	0	101,433
Reserved for Budget Stabilization	29,781	0	0	0
Reserved for Property Taxes	169,048	4,126	44,562	8,296
Reserved for School Bus Purchases	39,230	0	0	0
Unreserved:				
Designated for Budget Stabilization	56,087	0	0	0
Undesignated (Deficit)	46,388	49,812	296,260	(58,618)
<b>Total Fund Equity and Other Credits</b>	<b><u>458,575</u></b>	<b><u>73,238</u></b>	<b><u>340,822</u></b>	<b><u>51,111</u></b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b><u>\$1,773,538</u></b>	<b><u>\$108,280</u></b>	<b><u>\$545,650</u></b>	<b><u>\$194,026</u></b>

See accompanying notes to the general purpose financial statements



Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$69,997	\$25,420	\$0	\$0	\$1,199,472
0	0	0	0	1,312,899
0	0	0	0	739
0	0	0	0	3,135
0	0	0	0	119,637
0	0	0	0	12,018
5,168	0	0	0	5,168
948	0	0	0	948
0	0	0	0	69,011
189,776	0	16,299,644	0	16,489,420
0	0	0	340,822	340,822
0	0	0	3,091,671	3,091,671
<u>\$265,889</u>	<u>\$25,420</u>	<u>\$16,299,644</u>	<u>\$3,432,493</u>	<u>\$22,644,940</u>
\$0	\$0	\$0	\$0	\$16,693
14,139	0	0	0	399,164
0	0	0	430,223	436,905
0	0	0	0	119,637
9,519	0	0	46,624	138,987
3,019	0	0	0	1,089,886
0	25,420	0	0	25,420
0	0	0	6,000	6,000
0	0	0	72,646	72,646
0	0	0	2,781,060	2,781,060
0	0	0	95,940	95,940
<u>26,677</u>	<u>25,420</u>	<u>0</u>	<u>3,432,493</u>	<u>5,182,338</u>
0	0	16,299,644	0	16,299,644
182,953	0	0	0	182,953
56,259	0	0	0	56,259
0	0	0	0	238,774
0	0	0	0	29,781
0	0	0	0	226,032
0	0	0	0	39,230
0	0	0	0	56,087
0	0	0	0	333,842
<u>239,212</u>	<u>0</u>	<u>16,299,644</u>	<u>0</u>	<u>17,462,602</u>
<u>\$265,889</u>	<u>\$25,420</u>	<u>\$16,299,644</u>	<u>\$3,432,493</u>	<u>\$22,644,940</u>

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**Fayetteville-Perry Local School District**  
**Combined Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**All Governmental Fund Types**  
**For the Fiscal Year Ended June 30, 2000**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b><u>Revenues:</u></b>					
Property Taxes	\$1,014,981	\$23,388	\$264,222	\$35,194	\$1,337,785
Intergovernmental	3,408,699	181,297	31,546	41,109	3,662,651
Interest	73,435	216	0	5,822	79,473
Tuition and Fees	25,474	0	0	0	25,474
Rent	5,369	0	0	0	5,369
Extracurricular Activities	0	55,270	0	0	55,270
Gifts and Donations	599	20,409	0	0	21,008
Miscellaneous	7,771	8,608	0	0	16,379
<b>Total Revenues</b>	<b>4,536,328</b>	<b>289,188</b>	<b>295,768</b>	<b>82,125</b>	<b>5,203,409</b>
<b><u>Expenditures:</u></b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	1,982,414	57,873	0	0	2,040,287
Special	391,149	69,330	0	0	460,479
Vocational	80,579	0	0	0	80,579
Other	0	4,358	0	0	4,358
<b>Support Services:</b>					
Pupils	100,210	13,671	0	0	113,881
Instructional Staff	281,682	33,057	0	0	314,739
Board of Education	20,691	0	0	0	20,691
Administration	545,533	1,040	0	0	546,573
Fiscal	170,488	703	8,227	0	179,418
Operation and Maintenance of Plant	512,191	29,924	0	0	542,115
Pupil Transportation	398,968	514	0	0	399,482
Non-Instructional Services	0	1,533	0	0	1,533
Extracurricular Activities	76,011	65,561	0	0	141,572
Capital Outlay	0	0	0	225,279	225,279
<b>Debt Service:</b>					
Principal Retirement	25,711	0	131,621	0	157,332
Interest and Fiscal Charges	5,517	0	170,600	0	176,117
<b>Total Expenditures</b>	<b>4,591,144</b>	<b>277,564</b>	<b>310,448</b>	<b>225,279</b>	<b>5,404,435</b>
Excess of Revenues Over (Under) Expenditures	(54,816)	11,624	(14,680)	(143,154)	(201,026)
<b><u>Other Financing Sources (Uses):</u></b>					
Proceed from Sale of Fixed Assets	514	0	0	0	514
Proceeds from Sale of Bonds	64,060	0	0	75,000	139,060
Operating Transfers In	0	0	29,251	0	29,251
Operating Transfers Out	(29,251)	0	0	0	(29,251)
<b>Total Other Financing Sources (Uses)</b>	<b>35,323</b>	<b>0</b>	<b>29,251</b>	<b>75,000</b>	<b>139,574</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(19,493)	11,624	14,571	(68,154)	(61,452)
Fund Balances at Beginning of Year	478,068	61,614	326,251	119,265	985,198
Fund Balances at End of Year	<u>\$458,575</u>	<u>\$73,238</u>	<u>\$340,822</u>	<u>\$51,111</u>	<u>\$923,746</u>

See accompanying notes to the general purpose financial statements

*Fayetteville-Perry Local School District  
 Combined Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Budget and Actual (Budget Basis)  
 All Governmental Fund Types  
 For the Fiscal Year Ended June 30, 2000*

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Revenues:</u></b>						
Property Taxes	\$1,022,227	\$1,027,680	\$5,453	\$24,807	\$23,783	(\$1,024)
Intergovernmental	3,330,908	3,410,399	79,491	180,152	180,302	150
Interest	40,000	73,435	33,435	200	216	16
Tuition and Fees	0	24,734	24,734	0	0	0
Rent	3,500	5,369	1,869	0	0	0
Extracurricular Activities	0	0	0	58,000	55,270	(2,730)
Gifts and Donations	0	599	599	19,930	20,409	479
Miscellaneous	0	25,455	25,455	2,000	8,118	6,118
<b>Total Revenues</b>	<b>4,396,635</b>	<b>4,567,671</b>	<b>171,036</b>	<b>285,089</b>	<b>288,098</b>	<b>3,009</b>
<b><u>Expenditures:</u></b>						
Current:						
Instruction:						
Regular	1,972,694	1,950,326	22,368	78,378	67,480	10,898
Special	396,396	391,567	4,829	77,830	69,337	8,493
Vocational	108,685	81,559	27,126	0	0	0
Other	0	0	0	7,723	5,799	1,924
Support Services:						
Pupils	106,078	104,116	1,962	15,077	13,671	1,406
Instructional Staff	303,094	279,649	23,445	39,381	32,843	6,538
Board of Education	26,083	21,763	4,320	0	0	0
Administration	551,725	545,386	6,339	1,040	1,040	0
Fiscal	180,532	176,878	3,654	1,000	703	297
Operation and Maintenance of Plant	549,837	551,756	(1,919)	45,833	41,491	4,342
Pupil Transportation	432,308	515,909	(83,601)	514	514	0
Non-Instructional Services	0	0	0	2,033	1,533	500
Extracurricular Activities	80,846	74,143	6,703	74,804	71,951	2,853
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>4,708,278</b>	<b>4,693,052</b>	<b>15,226</b>	<b>343,613</b>	<b>306,362</b>	<b>37,251</b>
Excess of Revenues Over (Under) Expenditures	(311,643)	(125,381)	186,262	(58,524)	(18,264)	40,260
<b><u>Other Financing Sources (Uses):</u></b>						
Proceeds from Sale of Bonds	0	64,060	64,060	0	0	0
Proceeds from Sale of Fixed Assets	0	514	514	0	0	0
Refund of Prior Year Expenditures	0	0	0	490	1,090	600
Advances In	0	30,391	30,391	0	0	0
Advances Out	0	0	0	0	0	0
Operating Transfers In	26,522	0	(26,522)	4,000	0	(4,000)
Operating Transfers Out	(61,522)	(29,251)	32,271	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(35,000)</b>	<b>65,714</b>	<b>100,714</b>	<b>4,490</b>	<b>1,090</b>	<b>(3,400)</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(346,643)	(59,667)	286,976	(54,034)	(17,174)	36,860
Fund Balances at Beginning of Year	376,283	376,283	0	61,608	61,608	0
Prior Year Encumbrances Appropriated	182,949	182,949	0	16,218	16,218	0
<b>Fund Balances at End of Year</b>	<b>\$212,589</b>	<b>\$499,565</b>	<b>\$286,976</b>	<b>\$23,792</b>	<b>\$60,652</b>	<b>\$36,860</b>

See accompanying notes to the general purpose financial statements

Debt Service Fund			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$252,900	\$277,509	\$24,609	\$27,600	\$26,898	(\$702)
25,250	31,546	6,296	158,027	41,109	(116,918)
0	0	0	5,000	5,822	822
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>278,150</u>	<u>309,055</u>	<u>30,905</u>	<u>190,627</u>	<u>73,829</u>	<u>(116,798)</u>
0	0	0	75,000	95,910	(20,910)
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	55,423	40,616	14,807
0	0	0	0	0	0
0	0	0	0	14,535	(14,535)
11,000	8,227	2,773	2,000	2,685	(685)
0	0	0	321,402	172,370	149,032
0	0	0	64,580	4,621	59,959
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	24,883	9,182	15,701
131,621	131,621	0	0	0	0
<u>170,600</u>	<u>170,600</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>313,221</u>	<u>310,448</u>	<u>2,773</u>	<u>543,288</u>	<u>339,919</u>	<u>203,369</u>
<u>(35,071)</u>	<u>(1,393)</u>	<u>33,678</u>	<u>(352,661)</u>	<u>(266,090)</u>	<u>86,571</u>
0	0	0	75,000	75,000	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	(30,391)	(30,391)
29,251	29,251	0	0	0	0
0	0	0	0	0	0
<u>29,251</u>	<u>29,251</u>	<u>0</u>	<u>75,000</u>	<u>44,609</u>	<u>(30,391)</u>
(5,820)	27,858	33,678	(277,661)	(221,481)	56,180
268,402	268,402	0	60,394	60,394	0
0	0	0	222,267	222,267	0
<u>\$262,582</u>	<u>\$296,260</u>	<u>\$33,678</u>	<u>\$5,000</u>	<u>\$61,180</u>	<u>\$56,180</u>

***Fayetteville-Perry Local School District  
Combined Statement of Revenues,  
Expenses and Changes in Fund Equity  
Proprietary Fund Type  
For the Fiscal Year Ended June 30, 2000***

	<u>Enterprise</u>
<b><u>Operating Revenues:</u></b>	
Sales	\$246,285
<b><u>Operating Expenses:</u></b>	
Salaries	80,985
Fringe Benefits	42,090
Purchased Services	20,453
Materials and Supplies	49,298
Cost of Sales	132,221
Depreciation	12,392
Total Operating Expenses	337,439
Operating Loss	(91,154)
<b><u>Non-Operating Revenues (Expenses):</u></b>	
Interest	3,647
Loss on Sale of Fixed Assets	(1,020)
Federal Donated Commodities	19,619
Federal and State Subsidies	60,808
Total Non-Operating Revenues (Expenses)	83,054
Net Loss	(8,100)
Retained Earnings at Beginning of Year	64,359
Retained Earnings at End of Year	56,259
Contributed Capital at Beginning and End of Year	182,953
Total Fund Equity at End of Year	\$239,212

See accompanying notes to the general purpose financial statements

***Fayetteville-Perry Local School District  
Combined Statement of Revenues, Expenses and  
Changes in Fund Equity - Budget and Actual (Budget Basis)  
Proprietary Fund Type  
For the Fiscal Year Ended June 30, 2000***

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Revenues:</u></b>			
Sales	\$239,200	\$246,285	\$7,085
Federal and State Subsidies	63,000	67,292	4,292
Interest	1,000	3,647	2,647
Total Revenues	<u>303,200</u>	<u>317,224</u>	<u>14,024</u>
<b><u>Expenses:</u></b>			
Salaries	86,300	80,756	5,544
Fringe Benefits	31,688	39,064	(7,376)
Purchased Services	26,428	22,263	4,165
Materials and Supplies	188,292	171,256	17,036
Capital Outlay	0	3,734	(3,734)
Total Expenses	<u>332,708</u>	<u>317,073</u>	<u>15,635</u>
Excess of Revenues Over (Under) Expenses	(29,508)	151	29,659
Fund Equity at Beginning of Year	42,490	42,490	0
Prior Year Encumbrances Appropriated	<u>17,708</u>	<u>17,708</u>	<u>0</u>
Fund Equity at End of Year	<u><u>\$30,690</u></u>	<u><u>\$60,349</u></u>	<u><u>\$29,659</u></u>

See accompanying notes to the general purpose financial statements

**Fayetteville-Perry Local School District  
 Combined Statement of Cash Flows  
 Proprietary Fund Type  
 For the Fiscal Year Ended June 30, 2000**

	Enterprise
<b><u>Increase (Decrease) in Cash and Cash Equivalents:</u></b>	
<b><u>Cash Flows from Operating Activities:</u></b>	
Cash Received from Customers	\$246,285
Cash Payments to Suppliers for Goods and Services	(185,154)
Cash Payments to Employees for Services	(80,756)
Cash Payments for Employee Benefits	(39,064)
Net Cash Used for Operating Activities	(58,689)
<b><u>Cash Flows from Noncapital Financing Activities:</u></b>	
Operating Grants Received	67,292
<b><u>Cash Flows from Capital and Related Financing Activities:</u></b>	
Payments for Capital Acquisitions	(2,451)
<b><u>Cash Flows from Investing Activities:</u></b>	
Interest on Investments	3,647
Net Increase in Cash and Cash Equivalents	9,799
Cash and Cash Equivalents at Beginning of Year	60,198
Cash and Cash Equivalents at End of Year	\$69,997
<b><u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u></b>	
Operating Loss	(\$91,154)
<b><u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</u></b>	
Depreciation	12,392
Donated Commodities Used During Year	19,619
<b><u>Changes in Assets and Liabilities:</u></b>	
Increase in Inventory Held for Resale	(578)
Increase in Materials and Supplies Inventory	(474)
Decrease in Accounts Payable	(1,749)
Increase in Accrued Wages and Benefits	853
Increase in Intergovernmental Payable	2,402
Total Adjustments	32,465
Net Cash Used for Operating Activities	(\$58,689)

See accompanying notes to the general purpose financial statements



Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

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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/or federal guidelines.

The School District was established in 1895 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 62 square miles. It is located in Brown County and includes Perry Township. The School District is the 510th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by 40 non-certificated and 59 certificated teaching personnel and 12 administrative employees providing education to 985 students. The School District currently operates 3 instructional buildings.

*Reporting Entity*

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For 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 following entities which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

Fayetteville-Perry Parent Teacher Association  
Fayetteville-Perry School Boosters

Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

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

(Continued)

The School District is associated with four organizations, two of which are defined as jointly governed organizations, one as a public entity shared risk pool, and one as an insurance purchasing pool. These organizations are the South Central Ohio Computer Association (SCOCA), Hopewell Special Education Regional Resource Center (Hopewell), the Brown County Schools Benefits Consortium, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 17, 18, and 19 to the general purpose 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 standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary 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 - Fund Accounting**

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

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

Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

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

*Governmental Fund Types:*

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

*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.

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

*Debt Service Fund* - 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.

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

*Proprietary Fund Type:*

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

*Enterprise Funds* - Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

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

*Fiduciary Fund Type:*

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The School District's only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

*Account Groups:*

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

*General Fixed Assets Account Group* - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

*General Long-Term Obligations Account Group* - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

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

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary funds' operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

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

The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available as an advance, grants, tuition, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**C. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer is authorized to further allocate Board of Education appropriations to the function and object level for all funds.

Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

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

*Tax Budget:*

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Brown County Budget Commission for rate determination.

*Estimated Resources:*

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2000.

*Appropriations:*

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

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

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device by the Board of Education, during the year for all funds, other than agency funds, consistent with statutory provisions.

*Encumbrances:*

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

*Lapsing of Appropriations:*

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**D. Cash and Cash Equivalents**

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

During fiscal year 2000, the District's investments were limited to funds invested in the State Treasury Assets Reserve of Ohio (STAR Ohio) and Repurchase Agreements. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2000.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts (repurchase agreements) are reported at cost.

Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

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

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 2000 amounted to \$73,435 which includes \$38,658 assigned from other School District funds. The special revenue funds, capital projects funds, and enterprise funds also received interest revenue of \$216, \$5,822, and \$3,647 respectively.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool or investments with a maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

**E. Inventory**

Inventories of proprietary funds are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventories of proprietary funds consist of donated food, purchased food held for resale and supplies, and are expensed when used.

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**G. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

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. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund type is computed using the straight-line method over an estimated useful life of five to twenty years.



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

**H. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

*Entitlements*

*General Fund*

State Foundation Program  
State Property Tax Relief  
School Bus Purchase Reimbursement

*Non-Reimbursable Grants*

*Special Revenue Funds*

Venture Capital Grant  
Disadvantaged Pupil Impact Aid  
Education Management Information Systems  
Ohio Reads  
Title VI-B  
Teacher Development Block Grant  
Title I  
Title VI  
Title VI-R  
Textbook and Instructional Materials  
Safe Schools Helpline

*Capital Projects*

School Net Plus  
Technology Equity  
Disability Access  
Emergency Building Repairs  
Individual Video Distance Learning

Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

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

*Reimbursable Grants*

*General Fund*

Driver Education

*Special Revenue Fund*

E-Rate

*Enterprise Funds*

National School Lunch Program

National School Breakfast Program

Government Donated Commodities

Grants and entitlements received in governmental funds amounted to 70 percent of governmental fund revenue during the 2000 fiscal year.

**I. 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. 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 vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for all employees after 15 years of service. For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group.

**J. Accrued Liabilities and Long-term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, judgements, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are considered not to have used current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

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

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

**K. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**L. Restricted Assets**

Restricted assets in the general fund are cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent grant revenues for the purchase of buses, and amounts required by statute to be set-aside by the School District for the creation of a reserve for budget stabilization. See Note 21 for additional information regarding set-asides.

**M. Fund Balance Reserves**

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

**N. Fund Balance Designations**

Fund balance designations are established to indicate tentative planned expenditures of financial resources. The designations reflect the School District's intentions and are subject to change. Designations are reported as part of unreserved fund balance. The designations represent monies set-aside for budget stabilization in excess of the statutory required amount.

Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

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

**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.

**P. Contributed Capital**

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at fiscal year end.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1995, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

**Q. Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "Totals - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

The Title I and Title VI-R Special Revenue Funds and the Emergency Building Repairs Capital Projects Fund have deficit fund balances of \$11,772, \$89 and \$119,637, respectively. The deficits in these funds were created by the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**B. Compliance**

The District did not certify the availability of funds for certain expenditures.

Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

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**NOTE 4 - BUDGET TO GAAP RECONCILIATION**

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - Proprietary Fund Type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis); and
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balances sheet transactions (GAAP basis).

Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

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**NOTE 4 - BUDGET TO GAAP RECONCILIATION** (Continued)

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$19,493)	\$11,624	\$14,571	(\$68,154)
Adjustments:				
Revenue Accruals	31,343	0	13,287	(8,296)
Expenditure Accruals	25,365	(8,442)	0	(6,860)
Encumbrances	(127,273)	(20,356)	0	(107,780)
Advances	30,391	0	0	(30,391)
Budget Basis	<u>(\$59,667)</u>	<u>(\$17,174)</u>	<u>\$27,858</u>	<u>(\$221,481)</u>

Net Loss/Excess of Revenues  
Over Expenses  
Proprietary Fund Type

	Enterprise
GAAP Basis	(\$8,100)
Adjustments:	
Revenue Accruals	6,484
Expense Accruals	1,474
Capital Outlay	(2,451)
Depreciation Expense	12,392
Encumbrances	(9,648)
Budget Basis	<u>\$151</u>

Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

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**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim 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 accounts, including passbook accounts.

Protection of the School District's deposits is provided by the 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.

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

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**NOTE 5 - DEPOSITS AND INVESTMENTS** (Continued)

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3 "Deposits with Financial Institutions, Investments (Including Repurchase Agreements) and Reverse Repurchase Agreements".

Deposits: At fiscal year-end, the carrying amount of the School District's deposits was (\$96,335) and the bank balance was \$58,333. The entire bank balance was covered by federal depository insurance.



Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

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**NOTE 5 - DEPOSITS AND INVESTMENTS** (Continued)

Investments: The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is unclassified since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying/Fair Value
STAR Ohio	\$0	\$1,186,168
Repurchase Agreement	178,650	178,650
Total	\$178,650	\$1,364,818

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

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$1,268,483	\$0
Investments:		
STAR Ohio	(1,186,168)	1,186,168
Repurchase Agreement	(178,650)	178,650
GASB Statement No. 3	(\$96,335)	\$1,364,818

Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

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**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District 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 located in the School District. Property tax revenue received during calendar 2000 for real and public utility property taxes represents collections of calendar 1999 taxes. Property tax payments received during calendar 2000 for tangible personal property (other than public utility property) are for calendar 2000 taxes.

2000 real property taxes are levied after April 1, 2000, on the assessed value as of January 1, 2000, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2000 public utility property taxes became a lien December 31, 1999, are levied after April 1, 2000 and are collected in 2001 with real property taxes.

2000 tangible personal property taxes are levied after April 1, 1999, on the value as of December 31, 1999. Collections are made in 2000. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

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**NOTE 6 - PROPERTY TAXES** (Continued)

The assessed values upon which the fiscal year 2000 taxes were collected are:

	1999 Second- Half Collections		2000 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$43,974,450	88.63%	\$45,508,330	89.28%
Public Utility Property	5,124,630	10.33%	4,982,880	9.77%
Tangible Personal Property	513,940	1.04%	484,160	0.95%
Total Assessed Value	<u>\$49,613,020</u>	<u>100.00%</u>	<u>\$50,975,370</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$41.20		\$41.90	

The School District receives property taxes from Brown County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2000, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000, was \$169,048 in the general fund, \$4,126 in the classroom facilities maintenance fund, \$44,562 in the debt service fund, and \$8,296 in the permanent improvement fund.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2000, consisted of property taxes, accounts (tuition and student fees), intergovernmental grants and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Student fees are also considered collectible in full due to the withholding of diplomas and grade cards.

Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

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**NOTE 7 - RECEIVABLES** (Continued)

A summary of the principal items of intergovernmental receivables is as follows:

Intergovernmental Receivables	Amount
General Fund	
Driver Education Reimbursement	\$2,140
Special Revenue Funds	
Title VI Grant Reimbursement	597
Title VI Drug Free Grant Reimbursement	398
Total Special Revenue Funds	995
Total	\$3,135

**NOTE 8 - FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 2000 follows:

Furniture and Equipment	\$313,835
Less: Accumulated Depreciation	(124,059)
Net Fixed Assets	\$189,776

A summary of the changes in general fixed assets during fiscal year 2000 follows:

Asset Category	Balance at June 30, 1999	Additions	Deletions	Balance at June 30, 2000
Land	\$958,558	\$0	\$0	\$958,558
Buildings and Improvements	12,441,815	136,836	136,836	12,441,815
Furniture, Fixtures and Equipment	2,175,649	67,710	28,901	2,214,458
Vehicles	633,905	129,331	78,423	684,813
Construction in Progress	136,836	0	136,836	0
Totals	\$16,346,763	\$333,877	\$380,996	\$16,299,644

Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

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**NOTE 9 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the School District contracted with Nationwide Insurance for general liability insurance with a \$2,000,000 single occurrence limit and a \$5,000,000 aggregate. Property is protected by the Nationwide Insurance Company and holds a \$1,000 deductible.

The School District's vehicles are covered by the Nationwide Insurance Company under a business policy and holds a \$100 and \$250 deductible for comprehensive and collision, respectively, with a \$1,000,000 limit on any accident. Vehicles are also covered under the commercial umbrella policy.

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

For fiscal year 2000, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

The School District participates in the Brown County School Benefits Consortium (the Consortium), a public entity shared risk pool (Note 18) consisting of seven districts. 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 benefits. The Consortium is responsible for the management and operations of the program. Upon termination from the Consortium, for any reason, the terminated member shall assume and be responsible for the payment of any delinquent contributions and all claims of its employees from the date of termination, regardless of the date such claims were incurred.

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan 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, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2000, 5.5 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$34,499, \$48,440, and \$48,425, respectively; 43.25 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$19,578 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2000, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$133,168, 102,996, and 187,526, respectively; 82.91 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$22,752 represents the unpaid contribution for fiscal year 2000 and is recorded as a liability within the respective funds.

Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS** (Continued)

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$177,558 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999, (the latest information available) the balance in the Fund was \$2,783 million. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.50 percent of covered payroll, an increase from 6.30 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2000 fiscal year equaled \$67,955.

Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

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**NOTE 11 - POSTEMPLOYMENT BENEFITS** (Continued)

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1999 (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

**NOTE 12 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Eligible classified and administrative employees earn ten to twenty days of vacation per 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 120 days. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of 30 days. 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 100 days.

**B. Insurance Benefits**

The School District provides life insurance and accidental death and dismemberment insurance to most employees through CoreSource, Inc. Dental insurance is provided by the School District to all employees through CoreSource, Inc.

**NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE**

In prior years, the School District has entered into capitalized leases for the acquisition of school buses. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

General fixed assets consisting of the vehicles have been capitalized in the general fixed assets account group in the amount of \$118,976. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Total principal payments in fiscal year 2000 were \$25,711.



Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

**NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE** (Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2000.

Fiscal Year Ending June 30,	GLTOAG
2001	\$31,228
2002	31,228
2003	17,605
Total	80,061
Less: Amount Representing Interest	(7,415)
Present Value of Net Minimum Lease Payments	\$72,646

**NOTE 14 - LONG-TERM OBLIGATIONS**

The change in the School District's long-term obligations during the fiscal year 2000 were as follows:

	Principal Outstanding 7/1/99	Additions	Deductions	Principal Outstanding 6/30/00
General Obligation Debt				
School Improvement Bonds				
1996 6.00%	\$2,287,000	\$0	\$100,000	\$2,187,000
School Improvement Bonds				
1995 6.25%	465,000	0	10,000	455,000
Bus Acquisition Bonds				
2000 5.84%	0	64,060	0	64,060
Computer Equipment Acquisition Bonds				
2000 6.06%	0	75,000	0	75,000
Total General Obligation Bonds	2,752,000	139,060	110,000	2,781,060
Energy Conservation Loan 1993 4.72%	117,561	0	21,621	95,940
Judgements Payable	19,000	0	13,000	6,000
Capital Leases Payable	98,357	0	25,711	72,646
Pension Obligation	34,410	46,624	34,410	46,624
Compensated Absences	380,969	49,254	0	430,223
Total General Long-Term Obligations	\$3,402,297	\$234,938	\$204,742	\$3,432,493

Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

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**NOTE 14 - LONG-TERM OBLIGATIONS** (Continued)

*School Improvement General Obligation Bonds*

On September 1, 1996, Fayetteville-Perry Local School District issued \$2,587,000 in voted general obligation bonds for the purpose of constructing a new high school building. The bonds were issued for a twenty-three year period with final maturity at December 1, 2019. The bonds will be retired from the debt service fund.

*School Improvement General Obligation Bonds*

On September 1, 1995, Fayetteville-Perry Local School District issued \$505,000 in voted general obligation bonds for the purpose of an addition and improvement to the junior high school building. The bonds were issued for a twenty-three year period with final maturity at December 1, 2018. The bonds will be retired from the debt service fund.

*Energy Conservation Loan*

On August 12, 1993, the Fayetteville-Perry Local School District issued \$220,000 in unvoted general obligation debt for the purpose of providing energy conservation measures for the Fayetteville-Perry Local School District, under authority of the Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a ten year period with final maturity during fiscal year 2004. The debt will be retired from the debt service fund. It is anticipated that the savings over ten years will offset the costs.

*School Facilities Loan Payable*

The 1995 and 1996 School Improvement Bonds were issued in the amount of \$505,000 in September, 1996 as a result of the School District being approved for a \$7,500,000 school facilities loan through the State Department of Education for the construction of a high school building, and additions and improvements to the junior high school building. In 1998, the loan was increased to \$8,374,000. The School District issued the general obligation bonds to provide a partial cash match for the school facilities loans. As a requirement of the loans, the School District was required to pass a 1 mill levy. The 1 mill levy, of which .5 mill was to be used for the school building maintenance, with the balance of .5 mill to be used for the retirement of the 1996 bond issue, will be in effect for twenty-three years.

On October 7, 1997, the School District was notified by the Ohio School Facilities Commission that they would not be responsible for repaying the remaining \$8,345,902 of the classroom facilities loan to the State because the School District's adjusted valuation per pupil (currently 561 out of 611 schools) was less than the state-wide median adjusted valuation per pupil. In lieu of the repayment, the School District was required to set aside the funds that would have been used for repayment for facilities maintenance. As part of this process, the School District was required to submit a maintenance plan to the Ohio School Facilities Commission every five years until the twenty-three year period expires. If the School District's adjusted valuation per pupil had increased above the state-wide median adjusted valuation during the twenty-three year period, the School District would have been responsible for repayment of a portion of the State's contribution.

Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

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**NOTE 14 - LONG-TERM OBLIGATIONS** (Continued)

Due to recently passed legislation, the School District will not be required to re-pay any portion of the Ohio School Facilities Commission Loan, even if the adjusted valuation per pupil exceeds the state-wide median.

*Judgement Payable*

The judgement payable is the result of a court case settled in 1996. The balance of \$6,000 will be paid over the next two years; \$3,000 in February 2001 and \$3,000 in February 2002 (Note 22). Interest payments are not required by the court settlement. The settlement is being paid from the general fund. These expenditures are reflected as program/function expenditures.

*School Bus Acquisition Bonds*

On January 21, 2000, the Fayetteville-Perry Local School District issued \$64,060 in unvoted general obligation bonds for the purpose of purchasing a new school bus. These bonds were issued for a four-year period with final maturity at January 21, 2004. The bonds will be retired from the debt service fund.

*Computer Equipment Acquisition Bonds*

On May 1, 2000, the Fayetteville-Perry Local School District issued \$75,000 in unvoted general obligation bonds for the purpose of purchasing computer equipment. These bonds were issued for a three-year period with final maturity at May 1, 2003. The bonds will be retired from the capital projects fund.

Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

The School District's overall legal debt margin was \$2,137,545 with an unvoted debt margin of \$50,975 at June 30, 2000.

Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

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**NOTE 14 - LONG-TERM OBLIGATIONS** (Continued)

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2000 are as follows:

<u>School Improvement Bonds</u>			
<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$120,000	\$156,039	\$276,039
2002	37,000	151,291	188,291
2003	55,000	148,494	203,494
2004	70,000	144,700	214,700
2005	90,000	139,856	229,856
2006-2010	635,000	599,138	1,234,138
2011-2015	945,000	355,581	1,300,581
2016-2019	690,000	68,837	758,837
Total	<u>\$2,642,000</u>	<u>\$1,763,936</u>	<u>\$4,405,936</u>

<u>Energy Conservation Loan</u>			
<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$22,066	\$7,185	\$29,251
2002	22,979	6,272	29,251
2003	24,421	4,830	29,251
2004	26,474	2,777	29,251
Total	<u>\$95,940</u>	<u>\$21,064</u>	<u>\$117,004</u>

Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

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**NOTE 14 - LONG-TERM OBLIGATIONS** (Continued)

School Bus Acquisition Bonds

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$14,660	\$3,530	\$18,190
2002	15,528	2,662	18,190
2003	16,449	1,741	18,190
2004	17,423	759	18,182
Total	<u>\$64,060</u>	<u>\$8,692</u>	<u>\$72,752</u>

Computer Equipment Acquisition Bonds

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$23,524	\$4,193	\$27,717
2002	24,970	2,747	27,717
2003	26,506	1,211	27,717
Total	<u>\$75,000</u>	<u>\$8,151</u>	<u>\$83,151</u>

**NOTE 15 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the Fayetteville-Perry Local School District as of and for the fiscal year ended June 30, 2000.

Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

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**NOTE 15 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS** (Continued)

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$213,268	\$33,017	\$246,285
Depreciation	12,392	0	12,392
Operating Loss	(85,754)	(5,400)	(91,154)
Donated Commodities	19,619	0	19,619
Operating Grants	60,808	0	60,808
Net Loss	(2,700)	(5,400)	(8,100)
Fixed Asset Deletions	(1,236)	0	(1,236)
Net Working Capital	27,824	21,612	49,436
Total Assets	244,277	21,612	265,889
Total Equity	217,600	21,612	239,212
Encumbrances Outstanding at June 30, 2000	7,450	2,198	9,648

**NOTE 16 - SUBSEQUENT EVENTS**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of February 14, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify

Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

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**NOTE 16 - SUBSEQUENT EVENTS** (Continued)

the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and reconsideration will have on its future State funding and on its financial operations.

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

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 Highland, Adams, Pike, Scioto, Brown, Ross, Jackson, Vinton and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The governing Board of SCOCA consists of two representatives from each of the participating counties, two representatives of the school treasurers plus the fiscal agent. The School District paid SCOCA \$4,068 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School, Tonya Cooper, who serves as Treasurer, at P.O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

The Hopewell Special Education Regional Resource Center (Hopewell) is a jointly governed organization created by the Ohio Department of Education at the request of the participating school districts to offer direct and related services to low incidence handicapped students of the region. Seventeen local, city, and exempted village school districts receive services from Hopewell. Hopewell is operated under regulations and policies established by the Ohio Department of Education, and its own governing board. The governing board is made up of superintendents from the seventeen school districts, plus a representative from the county board of education, a representative from the board of mental retardation and developmental disabilities, two joint vocational school superintendents and five parents of handicapped children living in the region. The Clinton-Fayette-Highland Educational Service District acts as fiscal agent. Hopewell receives funding from the contracts with each of the member school districts and Federal and State grants. To obtain financial information write to Hopewell at the Clinton-Fayette-Highland Educational Service District, 62 Laurel Dr., Wilmington, Ohio 45177.

Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

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**NOTE 18 - PUBLIC ENTITY SHARED RISK POOL**

The Brown County Schools Benefits Consortium (the Consortium), a public entity shared risk pool currently operates to provide health insurance coverage to enrolled employees of the Consortium members and to eligible dependents of those enrolled employees. Six Brown County school districts (Eastern Brown, Fayetteville, Georgetown, Ripley Union Lewis Huntington, Southern Hills Joint Vocational and Western Brown Schools) have entered into an agreement with the Brown County Educational Service Center to form the Brown County Schools Benefits Consortium. The overall objectives of the Consortium are to formulate and administer a program of health insurance for the benefit of the Consortium members' employees and their dependents, to obtain lower costs for health coverage, and to secure cost control by implementing a program of comprehensive loss control. The School District pays premiums based on what the Consortium estimates will cover the costs of all claims for which the Consortium is obligated. If the School District's claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the School District's claims are low, it will not receive a refund. The Consortium views its activities in the aggregate, rather than on an individual entity basis. To obtain financial information write to the Brown County Educational Service Center at 325 West State St., Georgetown, Ohio 45121.

**NOTE 19 - INSURANCE PURCHASING POOL**

*Ohio School Boards Association Workers' Compensation Group Rating Plan* - The School District participates in The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**NOTE 20 - INTERFUND ACTIVITY**

As of June 30, 2000, receivables and payables that resulted from various interfund transactions were as follows:

Fund Type/Fund	Receivable	Payable
General Fund	\$119,637	\$0
Capital Projects Funds		
Emergency Building Repairs Grant	0	119,637
Total All Funds	\$119,637	\$119,637



Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

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**NOTE 21 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 1999	\$0	\$0	\$51,510
Current Year Set-aside Requirement	91,846	91,846	0
Current Year Offsets	0	(50,679)	(21,729)
Qualifying Disbursements	(124,872)	(338,576)	0
Set-aside Reserve Balance as of June 30, 2000	<u>\$0</u>	<u>\$0</u>	<u>\$29,781</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$33,026)</u>	<u>\$0</u>	<u>\$29,781</u>

Although the School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside and capital acquisition amounts below zero, only the amount for the textbook set-aside may be used to reduce the set-aside requirement of future years. The capital acquisition negative amount is therefore not presented as being carried forward to the next fiscal year. The total reserve balance for the three set-asides at the end of the fiscal year was \$29,781.

**NOTE 22 - CONTINGENCIES**

**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, 2000.

Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2000

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**NOTE 22 - CONTINGENCIES** (Continued)

**Litigation:**

On December 24, 1996 a case against the School District was settled. The School District was required to pay the defendant a total of \$58,000 over the next six years. As of June 30, 2000, \$6,000 remains to be paid and is included in the General Long Term Obligations Account Group as Judgements Payable.



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## REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Fayetteville-Perry Local School District  
Brown County  
501 South Apple Street  
Fayetteville, Ohio 45118

To the Board of Education:

We have audited the financial statements of Fayetteville-Perry Local School District, Brown County, Ohio (the District), as of and for the fiscal years ended June 30, 2001 and 2000, and have issued our report thereon dated February 14, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-10408-001.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2001-10408-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 14, 2002.

Fayetteville-Perry Local School District  
Brown County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

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

**Jim Petro**  
Auditor of State

February 14, 2002

FAYETTEVILLE-PERRY LOCAL SCHOOL DISTRICT  
BROWN COUNTY

SCHEDULE OF FINDINGS  
JUNE 30, 2001 AND 2000

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

FINDING NUMBER 2001-10408-001

**Material Noncompliance / Reportable Condition**

**Ohio Rev. Code, Section 5705.41 (D)**, requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon. This Section also provides for two exceptions to the above requirement:

1. Then-and-Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the District may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
2. If the amount involved is less than \$1,000, the fiscal officer may authorize payment through a Then-and-Now Certificate without affirmation of the Board of Education, if such expenditure is otherwise valid.

Where a continuing contract is to be performed in whole or in part in an ensuing fiscal year, only the amount required to meet those amounts in the fiscal year in which the contract is made need be certified.

Contrary to the above requirement, the availability of funds was not certified for all commitments for 13% of the items tested for fiscal year 2000 and 20% of the items for fiscal year 2001. Failure to certify the availability of funds and encumber appropriations can result in overspending funds and negative cash balances. Therefore, we recommend the District obtain approved purchase orders, which contain the Treasurer's certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**FAYETTEVILLE-PERRY LOCAL SCHOOL DISTRICT**

**BROWN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 5, 2002**