



**Auditor of State  
Betty Montgomery**



FAYETTEVILLE-PERRY LOCAL SCHOOL DISTRICT  
BROWN COUNTY

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fayetteville-Perry Local School District, Brown County, Ohio (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Fayetteville-Perry Local School District, Brown County, Ohio, as of June 30, 2005, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

May 10, 2006

**Fayetteville-Perry Local School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2005**  
**Unaudited**

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As management of the Fayetteville-Perry Local School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the basic financial statements to enhance their understanding of the School District's performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" issued June 1999.

**Financial Highlights**

- The assets of the Fayetteville-Perry Local School District exceeded its liabilities at June 30, 2005 by \$11,144,301.
- The School District's net assets increased by \$153,193 during this fiscal year's operations.
- General revenues accounted for \$6,304,993 or 80 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions and interest accounted for \$1,623,617 or 20 percent of total revenues of \$7,928,610.
- The School District had \$7,775,417 in expenses related to governmental activities; only \$1,623,617 of these expenses were offset by program specific charges for services and sales, grants, contributions and interest.

**Using the Basic Financial Statements**

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

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

*Fayetteville-Perry Local School District  
Management's Discussion and Analysis  
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Unaudited*

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

One of the most important questions asked about the School District is “How did we do financially during 2005?” The *Statement of Net Assets* and the *Statements of Activities*, which appear first in the School District’s financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These government-wide financial statements include all *assets* and *liabilities* using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year’s revenues and expenses regardless of when cash is received or paid.

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

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

### **Fund Financial Statements**

The analysis of the School District’s major funds begins on page 7. Fund financial reports provide detailed information about the School District’s major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District’s major funds.

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

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



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Unaudited*

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**The School District as a Whole**

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

Table 1 provides a summary of the School District's net assets for 2005 and 2004:

(Table 1)  
Net Assets  
Governmental Activities

	2005	2004
<b>Assets</b>		
Current and Other Assets	\$4,544,679	\$4,499,521
Capital Assets	11,196,087	11,432,504
Total Assets	15,740,766	15,932,025
<b>Liabilities</b>		
Long-Term Liabilities	2,558,219	2,741,758
Other Liabilities	2,038,246	2,199,159
Total Liabilities	4,596,465	4,940,917
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	8,853,987	8,915,322
Restricted	594,279	627,809
Unrestricted	1,696,035	1,447,977
Total Net Assets	\$11,144,301	\$10,991,108

Net assets increased by \$153,193. This was due primarily to an increase in revenues from property taxes, federal and State grants, interest and tuition and fees, offset by increases in expenses, which were primarily related to salary increases during the fiscal year.

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

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

*Fayetteville-Perry Local School District  
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(Table 2)  
Change in Net Assets

	<u>Governmental Activities 2005</u>	<u>Governmental Activities 2004</u>
<b>Revenues</b>		
Program Revenues:		
Charges for Services and Sales	\$935,972	\$837,322
Operating Grants, Contributions and Interest	687,645	661,582
Capital Grants and Contributions	0	32,629
Total Program Revenues	<u>1,623,617</u>	<u>1,531,533</u>
General Revenues:		
Property Taxes	1,763,081	1,564,540
Grants and Entitlements not Restricted to Specific Programs	4,447,070	4,430,422
Gifts and Donations	0	591
Investment Earnings	57,820	24,954
Miscellaneous	37,022	45,723
Total General Revenues	<u>6,304,993</u>	<u>6,066,230</u>
 Total Revenues	 <u>\$7,928,610</u>	 <u>\$7,597,763</u>

(continued)

*Fayetteville-Perry Local School District  
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(Table 2)  
Change in Net Assets  
(continued)

	Governmental Activities 2005	Governmental Activities 2004
<b>Program Expenses</b>		
Instruction:		
Regular	\$3,041,361	\$2,890,095
Special	697,192	726,449
Vocational	131,889	122,600
Support Services:		
Pupils	295,337	296,087
Instructional Staff	622,201	577,725
Board of Education	39,715	44,550
Administration	725,471	672,854
Fiscal	277,333	260,581
Operation and Maintenance of Plant	760,941	679,048
Pupil Transportation	510,974	469,671
Central	8,122	7,582
Operation of Non-Instructional Services:		
Other	12,800	12,242
Food Services	344,045	345,263
Extracurricular Activities	161,973	172,935
Interest and Fiscal Charges	146,063	141,384
Total Expenses	<u>7,775,417</u>	<u>7,419,066</u>
Increase in Net Assets	153,193	178,697
Net Assets - Beginning of Year	<u>10,991,108</u>	<u>10,812,411</u>
Net Assets - End of Year	<u><u>\$11,144,301</u></u>	<u><u>\$10,991,108</u></u>

Charges for Services and Sales increased by \$98,650, due to tuition increases related to open enrollment, increases in food service receipts and increases in athletic event receipts.

Property Taxes increased by \$198,541 due to an overall increase in the School District's valuation.

Investment earnings more than doubled, increasing by \$32,866, as interest rates increased significantly during the fiscal year. Previously, interest rates were as low as .25 percent, and they increased to over four percent during the fiscal year.

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**Governmental Activities**

Grants and Entitlements made up 56 percent of revenues for governmental activities of the Fayetteville-Perry Local School District for fiscal year 2005.

Instruction comprises 50 percent of governmental program expenses. Support services expenses make up 42 percent of governmental expenses.

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

(Table 3)

	Governmental Activities			
	Total Cost	Net Cost	Total Cost	Net Cost
	of Services	of Services	of Services	of Services
	2005	2005	2004	2004
Instruction	\$3,870,442	(\$2,813,932)	\$3,739,144	(\$2,735,531)
Support Services	3,240,094	(3,039,852)	2,454,058	(2,285,234)
Operation of Non-				
Instructional Services	356,845	(38,478)	357,505	(46,451)
Extracurricular Activities	161,973	(113,475)	172,935	(124,893)
Interest and Fiscal Charges	146,063	(146,063)	141,384	(141,384)
Total Expenses	\$7,775,417	(\$6,151,800)	\$6,865,026	(\$5,333,493)

**The School District's Funds**

Information about the School District's major funds starts on page 12. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$7,910,750 and expenditures of \$7,789,541. The net change in fund balance for the year was most significant in the General Fund, an increase of \$150,632. This increase was much lower than the prior year's increase of \$460,699. While there were increases in property taxes, tuition and fees and interest revenue, overall expenditures also increased, due to salary increases. In addition, during fiscal year 2004, the School District received \$100,000 in proceeds on the sale of bonds. The net change in fund balance for the fiscal year in the Debt Service Fund was an increase of only \$252.

*Fayetteville-Perry Local School District  
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**General Fund - Budget Highlights**

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. During the course of fiscal year 2005, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures.

The School District's ending unobligated cash balance was \$7,055 above the final budgeted amount in the General Fund.

For the General Fund, budget basis actual revenue was \$6,620,534 with original budget estimates of \$6,951,688 and final budget estimates of \$6,613,429. Budget basis actual expenditures in the General Fund were \$6,598,073 with original budget estimates of \$4,575,276 and final budget estimates of \$6,598,023. When original budgeted revenues and expenditures were estimated, the School District based the estimate on a percentage of the prior year. However, as the fiscal year progressed, the School District amended the budget to more accurately report the estimates, based upon more updated information, when they learned of what revenues would be received and what related expenditures would be made.

**Capital Assets and Debt Administration**

*Capital Assets*

The Fayetteville-Perry Local School District's investment in capital assets as of June 30, 2005 was \$11,196,087. This investment in capital assets includes land, land improvements, buildings and improvements, furniture, fixtures and equipment, and vehicles. Table 4 shows fiscal year 2005 balances compared to 2004:

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

	2005	2004
Land	\$89,380	\$89,380
Land Improvements	14,601	15,286
Buildings and Improvements	10,222,437	10,513,012
Furniture, Fixtures, and Equipment	468,655	485,338
Vehicles	401,014	329,488
Totals	\$11,196,087	\$11,432,504

Net capital assets decreased \$236,417 from the prior year, primarily due to recognition of current year depreciation.

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For the Fiscal Year Ended June 30, 2005  
Unaudited*

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For more information on capital assets, refer to note 8 to the basic financial statements.

**Debt**

At June 30, 2005 the School District had \$2,342,100 in bonds outstanding with \$114,566 due within one year. Table 5 summarizes bonds outstanding:

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

	2005	2004
General Obligation Bonds:		
2003 Various Purpose Bonds 4.10%	\$72,100	\$90,888
2001 Technology Equipment Acquisition Bonds 4.78%	0	30,154
2001 Various Purpose Refunding Bonds 4.78%	0	36,140
1996 School Improvement Bonds 6.00%	1,895,000	1,970,000
1995 School Improvement Bonds 6.25%	375,000	390,000
Totals	\$2,342,100	\$2,517,182

The School District's overall legal debt margin was \$4,672,782 with an unvoted debt margin of \$73,645 at June 30, 2005.

For more information on debt, refer to note 13 to the basic financial statements.

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

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

*Fayetteville-Perry Local School District*

Statement of Net Assets

June 30, 2005

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$2,759,968
Prepaid Items	17,839
Materials and Supplies Inventory	7,283
Intergovernmental Receivable	106,526
Taxes Receivable	1,653,063
Capital Assets:	
Land	89,380
Depreciable Capital Assets, Net	<u>11,106,707</u>
<i>Total Assets</i>	<u>15,740,766</u>
<b>Liabilities</b>	
Accounts Payable	8,733
Accrued Wages and Benefits Payable	623,069
Intergovernmental Payable	201,498
Deferred Revenue	1,191,741
Accrued Interest Payable	13,205
Long-Term Liabilities:	
Due Within One Year	133,774
Due in More Than One Year	<u>2,424,445</u>
<i>Total Liabilities</i>	<u>4,596,465</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	8,853,987
Restricted for:	
Capital Outlay	66,934
Debt Service	383,656
Other Purposes	143,689
Unrestricted	<u>1,696,035</u>
<i>Total Net Assets</i>	<u><u>\$11,144,301</u></u>

See accompanying notes to the basic financial statements

**Fayetteville-Perry Local School District**  
Statement of Activities  
For the Fiscal Year Ended June 30, 2005

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities	
<b><u>Governmental Activities</u></b>				
Instruction:				
Regular	\$3,041,361	\$608,634	\$53,232	(\$2,379,495)
Special	697,192	0	364,281	(332,911)
Vocational	131,889	30,363	0	(101,526)
Support Services:				
Pupils	295,337	0	117,756	(177,581)
Instructional Staff	622,201	976	52,912	(568,313)
Board of Education	39,715	0	0	(39,715)
Administration	725,471	0	15,041	(710,430)
Fiscal	277,333	0	0	(277,333)
Operation and Maintenance of Plant	760,941	0	0	(760,941)
Pupil Transportation	510,974	13,557	0	(497,417)
Central	8,122	0	0	(8,122)
Operation of Non-Instructional Services:				
Food Services	344,045	241,851	76,516	(25,678)
Other	12,800	0	0	(12,800)
Extracurricular Activities	161,973	40,591	7,907	(113,475)
Interest and Fiscal Charges	146,063	0	0	(146,063)
<b>Total Governmental Activities</b>	<b>\$7,775,417</b>	<b>\$935,972</b>	<b>\$687,645</b>	<b>(6,151,800)</b>
General Revenues:				
Property Taxes Levied for:				
				1,448,510
				212,133
				102,438
Grants and Entitlements not				
				4,447,070
				57,820
				37,022
				6,304,993
				153,193
				10,991,108
				\$11,144,301

See accompanying notes to the basic financial statements



**Fayetteville-Perry Local School District**

Balance Sheet  
Governmental Funds  
June 30, 2005

	General Fund	Debt Service Fund	All Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$2,209,940	\$328,193	\$221,835	\$2,759,968
Materials and Supplies Inventory	0	0	7,283	7,283
Interfund Receivable	1,173	0	0	1,173
Intergovernmental Receivable	82,729	12,402	11,395	106,526
Prepaid Items	8,480	0	9,359	17,839
Property Taxes Receivable	1,359,444	198,374	95,245	1,653,063
<i>Total Assets</i>	<u>\$3,661,766</u>	<u>\$538,969</u>	<u>\$345,117</u>	<u>\$4,545,852</u>
<b>Liabilities</b>				
Accounts Payable	\$8,225	\$0	\$508	\$8,733
Accrued Wages and Benefits Payable	587,895	0	35,174	623,069
Interfund Payable	0	0	1,173	1,173
Intergovernmental Payable	187,247	0	14,251	201,498
Deferred Revenue	1,048,988	152,129	77,191	1,278,308
<i>Total Liabilities</i>	<u>1,832,355</u>	<u>152,129</u>	<u>128,297</u>	<u>2,112,781</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	121,376	0	16,622	137,998
Reserved for Property Taxes	304,387	45,630	21,990	372,007
Unreserved:				
Undesignated, Reported in:				
General Fund	1,403,648	0	0	1,403,648
Special Revenue Funds	0	0	129,825	129,825
Debt Service Fund	0	341,210	0	341,210
Capital Projects Funds	0	0	48,383	48,383
<i>Total Fund Balances</i>	<u>1,829,411</u>	<u>386,840</u>	<u>216,820</u>	<u>2,433,071</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$3,661,766</u>	<u>\$538,969</u>	<u>\$345,117</u>	<u>\$4,545,852</u>

See accompanying notes to the basic financial statements

**Fayetteville-Perry Local School District**  
 Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2005

**Total Governmental Fund Balances** \$2,433,071

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

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

Land	89,380	
Other capital assets	15,481,566	
Accumulated depreciation	(4,374,859)	
Total capital assets	11,196,087	11,196,087

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

Delinquent property taxes	82,323	
Intergovernmental	4,244	
	86,567	86,567

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

Bonds payable	(2,342,100)	
Accrued interest on bonds	(13,205)	
Compensated absences	(216,119)	
Total liabilities	(2,571,424)	(2,571,424)

**Net Assets of Governmental Activities** \$11,144,301

See accompanying notes to the basic financial statements

**Fayetteville-Perry Local School District**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2005

	General Fund	Debt Service Fund	All Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$1,437,577	\$210,322	\$101,566	\$1,749,465
Intergovernmental	4,715,014	25,157	424,183	5,164,354
Interest	57,820	0	2,130	59,950
Tuition and Fees	563,468	0	40,939	604,407
Rent	5,203	0	0	5,203
Extracurricular Activities	0	0	40,591	40,591
Gifts and Donations	0	0	7,907	7,907
Customer Sales and Services	0	0	241,851	241,851
Miscellaneous	2,013	0	35,009	37,022
<b>Total Revenues</b>	<b>6,781,095</b>	<b>235,479</b>	<b>894,176</b>	<b>7,910,750</b>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	2,787,654	0	118,934	2,906,588
Special	568,505	0	108,377	676,882
Vocational	128,525	0	917	129,442
Support Services:				
Pupils	176,673	0	123,351	300,024
Instructional Staff	525,188	0	85,922	611,110
Board of Education	39,715	0	0	39,715
Administration	700,008	0	16,653	716,661
Fiscal	269,206	5,371	3,418	277,995
Operation and Maintenance of Plant	684,262	0	52,100	736,362
Pupil Transportation	566,870	0	0	566,870
Central	8,122	0	0	8,122
Operation of Non-Instructional Services:				
Food Services	0	0	318,439	318,439
Other	12,800	0	0	12,800
Extracurricular Activities	110,065	0	57,644	167,709
Debt Service				
Principal Retirement	52,412	90,000	32,670	175,082
Interest and Fiscal Charges	1,480	139,856	4,404	145,740
<b>Total Expenditures</b>	<b>6,631,485</b>	<b>235,227</b>	<b>922,829</b>	<b>7,789,541</b>
<i>Excess of Revenues Over (Under) Expenditures</i>	149,610	252	(28,653)	121,209
<b>Other Financing Sources</b>				
Proceeds from Sale of Capital Assets	1,022	0	0	1,022
<b>Net Change in Fund Balances</b>	<b>150,632</b>	<b>252</b>	<b>(28,653)</b>	<b>122,231</b>
Fund Balances at Beginning of Year	1,678,779	386,588	245,473	2,310,840
Fund Balances at End of Year	\$1,829,411	\$386,840	\$216,820	\$2,433,071

See accompanying notes to the basic financial statements

**Fayetteville-Perry Local School District**  
 Reconciliation of the Statement of Revenues, Expenditures  
 and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2005

**Net Change in Fund Balances - Total Governmental Funds** \$122,231

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

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

Capital asset additions	189,764	
Depreciation expense	(425,093)	
Excess of depreciation expense over capital outlay		(235,329)

The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of capital assets is removed from the capital asset account in the Statement of Net Assets and offset against the proceeds from the sale of capital assets resulting in a loss on the sale of capital assets in the Statement of Activities.

Proceeds from the sale of capital assets	(1,022)	
Loss on sale of capital assets	(66)	
		(1,088)

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

Delinquent property taxes	13,616	
Intergovernmental	4,244	
		17,860

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

Bond payments		175,082
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Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in compensated absences payable	8,457	
Increase in accrued interest payable	(323)	
Decrease in intergovernmental payable	66,303	
Total (increase)/decrease		74,437

**Change in Net Assets of Governmental Activities** \$153,193

See accompanying notes to the basic financial statements

**Fayetteville-Perry Local School District**  
Statement of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property Taxes	\$1,477,688	\$1,358,696	\$1,358,696	\$0
Intergovernmental	4,660,000	4,632,963	4,632,963	0
Interest	24,000	50,510	57,820	7,310
Tuition and Fees	490,000	563,673	563,468	(205)
Rent	0	5,574	5,574	0
Gifts and Donations	0	25	25	0
Miscellaneous	300,000	1,988	1,988	0
<b>Total Revenues</b>	<b>6,951,688</b>	<b>6,613,429</b>	<b>6,620,534</b>	<b>7,105</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	2,339,849	2,760,519	2,760,519	0
Special	225,356	577,028	577,028	0
Vocational	101,035	128,107	128,107	0
Support Services:				
Pupils	154,240	176,987	176,987	0
Instructional Staff	361,134	505,232	505,232	0
Board of Education	47,999	44,427	44,427	0
Administration	479,895	666,562	666,562	0
Fiscal	156,865	254,602	254,652	(50)
Operation and Maintenance of Plant	328,501	689,360	689,360	0
Pupil Transportation	292,451	610,689	610,689	0
Central	3,849	8,118	8,118	0
Operation of Non-Instructional Services	0	12,800	12,800	0
Extracurricular Activities	84,102	109,700	109,700	0
Debt Service:				
Principal Retirement	0	52,412	52,412	0
Interest and Fiscal Charges	0	1,480	1,480	0
<b>Total Expenditures</b>	<b>4,575,276</b>	<b>6,598,023</b>	<b>6,598,073</b>	<b>(50)</b>
<b>Excess of Revenues Over Expenditures</b>	<b>2,376,412</b>	<b>15,406</b>	<b>22,461</b>	<b>7,055</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	0	1,022	1,022	0
Refund of Prior Year Receipts	0	(1,763)	(1,763)	0
Advances Out	0	(1,173)	(1,173)	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>(1,914)</b>	<b>(1,914)</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>2,376,412</b>	<b>13,492</b>	<b>20,547</b>	<b>7,055</b>
<b>Fund Balance at Beginning of Year</b>	<b>1,919,130</b>	<b>1,919,130</b>	<b>1,919,130</b>	<b>0</b>
<b>Prior Year Encumbrances Appropriated</b>	<b>140,660</b>	<b>140,660</b>	<b>140,660</b>	<b>0</b>
<b>Fund Balance at End of Year</b>	<b>\$4,436,202</b>	<b>\$2,073,282</b>	<b>\$2,080,337</b>	<b>\$7,055</b>

See accompanying notes to the basic financial statements

**Fayetteville-Perry Local School District**

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2005

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$3,254	\$30,342
<b>Liabilities</b>		
Undistributed Monies	0	30,342
<i>Total Liabilities</i>	0	\$30,342
<b>Net Assets</b>		
Held in Trust for Scholarships	3,254	
<i>Total Net Assets</i>	\$3,254	

See accompanying notes to the basic financial statements

***Fayetteville-Perry Local School District***  
 Statement of Changes in Fiduciary Net Assets  
 Fiduciary Fund  
 For the Fiscal Year Ended June 30, 2005

	Private Purpose Trust
	Scholarship
<b>Additions</b>	
Interest	\$73
<i>Change in Net Assets</i>	73
<i>Net Assets at Beginning of Year</i>	3,181
<i>Net Assets at End of Year</i>	\$3,254

See accompanying notes to the basic financial statements

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

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

The Fayetteville-Perry Local School District was established in 1895 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 the Village of Fayetteville and Perry Township.

*Reporting Entity:*

The 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 School District participates in five organizations, three of which are defined as jointly governed organizations, one as a public entity shared risk and insurance purchasing pool, and one as an insurance purchasing pool. These organizations are the South Central Ohio Computer Association (SCOCA), the Hopewell Special Education Regional Resource Center (Hopewell), the Southern Hills Joint Vocational School District, the Brown County Schools Benefits Consortium, and the Ohio Association of School Business Officials Workers’ Compensation Group Rating Plan. These organizations are presented in Notes 14, 15, and 16 of the basic financial statements.

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

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

**A. Basis of Presentation**

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

**Government-wide Financial Statements**

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

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

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

**Fund Financial Statements**

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

**B. Fund Accounting**

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

*Governmental Funds*

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

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

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

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

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

*Fiduciary Funds:*

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

**C. Measurement Focus**

*Government-wide Financial Statements:*

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

*Fund Financial Statements:*

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

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

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

**D. Basis of Accounting**

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

*Revenues - Exchange and Non-exchange Transactions:*

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

*Deferred Revenue:*

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

*Fayetteville-Perry Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

*Expenses/Expenditures:*

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

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

**E. Cash and Cash Equivalents**

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

During fiscal year 2005, the School District's investments were limited to STAROhio and a mutual fund. Investments are reported at fair value which is based on quoted market prices. For investments in open-end mutual funds, the fair value is determined by the fund's current share price.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2005.

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 2005 amounted to \$57,820, which includes \$13,223 assigned from other School District funds.

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

*Fayetteville-Perry Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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

**F. Inventory**

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

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

**H. Capital Assets**

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

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

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

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

**I. Interfund Balances**

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

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

**J. Compensated Absences**

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

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

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

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

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

**L. Net Assets**

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

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



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

The government-wide Statement of Net Assets reports \$594,279 of restricted net assets, of which \$495,992 are restricted by enabling legislation.

**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 and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute for fiscal year 2005.

**N. Interfund Transactions**

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

**O. Estimates**

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

**P. Budgetary Process**

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

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

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

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

**NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET ASSETS**

**A. Changes in Accounting Principles**

For fiscal year 2005, the School District has implemented *GASB Statement No. 40, “Deposit and Investment Risk Disclosures”*, *GASB Statement No. 46, “Net Assets Restricted by Enabling Legislation”* and *GASB Technical Bulletin No. 2004-2, “Recognition of Pension and Other Post-Employment Benefit Expenditures/Expenses and Liabilities by Cost Sharing Employers”*.

GASB Statement No. 40 creates new disclosure requirements for deposits and investments related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. The implementation of this statement had no effect on the School District’s financial statements for fiscal year 2005.

GASB Statement No. 46 clarifies how legal enforceability should be applied for determining restricted net assets. The implementation of this new statement had no effect on the School District’s financial statements for fiscal year 2005.

GASB Technical Bulletin No. 2004-2, addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing, multiple-employer pension and other post-employment benefit (OPEB) plans. The implementation of this bulletin had no effect on the School District’s financial statements for fiscal year 2005.

*Fayetteville-Perry Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET ASSETS** (continued)

**B. Restatement of Net Assets**

During fiscal year 2005, it was determined that capital assets were overstated at June 30, 2004. This resulted in a restatement of capital assets at June 30, 2004, which had the following effect on the net assets of the School District:

	<u>Governmental Activities</u>
Net Assets, June 30, 2004, as reported	\$11,808,104
Restatement of Capital Assets	(816,996)
Net Assets, June 30, 2004, as restated	\$10,991,108

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

Net Change in Fund Balance	
GAAP Basis	\$150,632
Adjustments:	
Revenue Accruals	(160,561)
Expenditure Accruals	144,013
Encumbrances	(129,603)
Prepaid Items	17,239
Advances	(1,173)
Budget Basis	\$20,547

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;

*Fayetteville-Perry Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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

7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

**Investments**

As of June 30, 2005, the School District had the following investments, which are in an internal investment pool:

	<u>Fair Value</u>	<u>Maturity</u>
STAROhio	\$2,762,556	Average 33 Days
Victory Funds Prime Obligation Mutual Fund	179,391	Average 38 Days
Total Investments	<u>\$2,941,947</u>	

**Interest Rate Risk**

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

**Credit Risk**

STAROhio carries a rating of AAAM by Standard and Poor's. The Victory Funds Prime Obligation Mutual Fund is unrated. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual funds be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

**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.

*Fayetteville-Perry Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004.

Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30. This year the June 2005 personal property tax was not received until July, 2005.

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, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed settlement of personal property tax and the amount of real property taxes 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 fiscal year operations.

**Fayetteville-Perry Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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

The amount available as an advance at June 30, 2005 was \$304,387 in the General Fund, \$45,630 in the Debt Service Fund, \$6,780 in the Classroom Facilities Maintenance Fund, and \$15,210 in the Permanent Improvement Fund. The amount available as an advance at June 30, 2004 was \$229,467 in the General Fund, \$34,420 in the Debt Service Fund, \$5,110 in the Classroom Facilities Maintenance Fund, and \$11,473 in the Permanent Improvement Fund.

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

The assessed values upon which the fiscal year 2005 taxes were collected are:

	<u>2004 Second - Half Collections</u>		<u>2005 First - Half Collections</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Real Property	\$68,378,300	95.56%	\$70,646,480	95.93%
Public Utility Personal Property	2,614,500	3.65%	2,702,800	3.67%
Tangible Personal Property	562,587	0.79%	295,630	0.40%
Total Assessed Value	<u>\$71,555,387</u>	<u>100.00%</u>	<u>\$73,644,910</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$33.60		\$33.60	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2005, consisted of interfund, intergovernmental grants, and property taxes. All receivables are considered collectible in full and will be received in one year due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
<u>Governmental Activities:</u>	
Student Intervention Grant	\$1,173
Title I	4,141
Title II-D	103
Homestead & Rollback	101,109
Total Intergovernmental Receivables	<u>\$106,526</u>

**Fayetteville-Perry Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance at 6/30/04 <u>(Restated)</u>	<u>Additions</u>	<u>Deductions</u>	Balance at 6/30/05
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$89,380	\$0	\$0	\$89,380
Capital Assets Being Depreciated:				
Land Improvements	898,920			898,920
Buildings and Improvements	12,618,707	20,278	0	12,638,985
Furniture, Fixtures and Equipment	1,001,875	43,042	(46,581)	998,336
Vehicles	850,873	126,444	(31,992)	945,325
Totals Capital Assets, Being Depreciated	<u>15,370,375</u>	<u>189,764</u>	<u>(78,573)</u>	<u>15,481,566</u>
Less Accumulated Depreciation:				
Land Improvements	(883,634)	(685)	0	(884,319)
Building and Improvements	(2,105,695)	(310,853)	0	(2,416,548)
Furniture, Fixtures and Equipment	(516,537)	(58,637)	45,493	(529,681)
Vehicles	(521,385)	(54,918)	31,992	(544,311)
Total Accumulated Depreciation	<u>(4,027,250)</u>	<u>(425,093) *</u>	<u>77,485</u>	<u>(4,374,859)</u>
Total Capital Assets Being Depreciated, Net	<u>11,343,125</u>	<u>(235,329)</u>	<u>(1,088)</u>	<u>11,106,707</u>
Governmental Activities Capital Assets, Net	<u>\$11,432,504</u>	<u>(\$235,329)</u>	<u>(\$1,088)</u>	<u>\$11,196,087</u>



*Fayetteville-Perry Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**NOTE 8 - CAPITAL ASSETS** (continued)

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

Instruction:	
Regular	\$160,883
Special	20,384
Vocational	2,447
Support Services:	
Pupils	2,447
Instructional Staff	35,842
Administration	21,105
Fiscal	8,520
Operation and Maintenance of Plant	54,401
Pupil Transportation	82,457
Operation of Non-Instructional Services - Food Services	33,388
Extracurricular Activities	3,219
Total Depreciation Expense	<u><u>\$425,093</u></u>

**NOTE 9 - RISK MANAGEMENT**

**A. Property and Liability**

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 2005, the School District contracted with Indiana Insurance for general liability insurance with a \$2,000,000 single occurrence limit and a \$4,000,000 aggregate. Property is protected by Indiana Insurance Company and holds a \$1,000 deductible.

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

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

**NOTE 9 - RISK MANAGEMENT** (continued)

**B. Workers' Compensation**

For fiscal year 2005, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). 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 Sheakley UniService, Inc. provides administrative, cost control and actuarial services to the GRP. Each year the School District pays an enrollment fee to the GRP to cover costs of administering the program.

**C. Employee Medical**

The School District participated in the Brown County Schools Benefits Consortium (the Consortium), a public entity shared risk and insurance purchasing pool (Note 15) consisting of six districts. Medical coverage is purchased through Medical Mutual and the dental coverage is being provided through a shared risk pool based on member districts' number of employees. The School District is responsible for providing a current listing of enrolled employees and for providing timely pro-rata payments of premiums to the Consortium for employee health coverage and dental benefits. The Consortium is responsible for the management and operation 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 relating to the medical insurance and all dental claims related to its employees from the date of termination, regardless of the date such claims were incurred.

**NOTE 10 - PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 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, 2005, 2004, and 2003 were \$123,750, \$96,524 and \$85,701 respectively; 52.85 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

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

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090, or by visiting the STRS Ohio web site at [www.strs.oh.org](http://www.strs.oh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

*Fayetteville-Perry Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**NOTE 10 - PENSION PLANS** (continued)

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2004, the portion used to fund pension obligations was 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations for the fiscal years ended June 30, 2005, 2004, and 2003 were \$384,117, \$381,806, and \$332,432, respectively; 82.44 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$8,749 made by the School District and \$12,613 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2005, five members of the Board of Education have elected Social Security. The School District'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 of Ohio (STRS Ohio), 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 retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All 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 Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year-ended June 30, 2005, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$29,547 for fiscal year 2005.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004 (the latest information available), the balance in the Fund was \$3.1 billion. For the year-ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 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, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll. 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 2005, the minimum pay was established at \$27,400. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2005 fiscal year equaled \$54,809.

*Fayetteville-Perry Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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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, 2004 (the latest information available), were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

**NOTE 12 - 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 fiscal year, depending upon length of service. Teachers do not earn vacation time. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 212 days. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 45 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 106 days.

**B. Health Care Benefits**

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

**Fayetteville-Perry Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**NOTE 13 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2005 were as follows:

	Amount Outstanding 6/30/04	Additions	Deductions	Amount Outstanding 6/30/05	Amounts Due in One Year
<i><u>Governmental Activities:</u></i>					
Various Purpose Bonds 2003 4.10%	\$90,888	\$0	\$18,788	\$72,100	\$19,566
Technology Equipment Acquisition Bonds 2001 4.78%	30,154	0	30,154	0	0
Various Purpose Refunding Bonds 2001 4.78%	36,140	0	36,140	0	0
School Improvement Bonds 1996 6.00%	1,970,000	0	75,000	1,895,000	75,000
School Improvement Bonds 1995 6.25%	390,000	0	15,000	375,000	20,000
Compensated Absences	224,576	1,877	10,334	216,119	19,208
Total Governmental Activities Long-Term Obligations	<u>\$2,741,758</u>	<u>\$1,877</u>	<u>\$185,416</u>	<u>\$2,558,219</u>	<u>\$133,774</u>

**Various Purpose Bonds 2003**

The School District issued \$100,000 in voted general obligation bonds for the purpose of purchasing computers, copiers, printers, and a school bus. The bonds were issued for a five year period with final maturity on September 19, 2008. The bonds will be retired from the Permanent Improvement Fund.

**Technology Equipment Acquisition Bonds 2001**

The School District issued \$112,520 in unvoted general obligation bonds for the purpose of purchasing technology equipment. The bonds were issued for a four year period with final maturity on June 5, 2005. The bonds were retired from the General and Capital Projects Funds.

**Various Purpose Refunding Bonds 2001**

The School District issued \$134,846 in voted general obligation bonds for the purpose of using proceeds 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 percent. The bonds were issued for a four year period with maturity on June 5, 2005. The School District issued this debt to consolidate and reduce yearly debt payments and to obtain a lower interest rate. The bonds were retired from the General Fund.

*Fayetteville-Perry Local School District*  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**NOTE 13 – LONG-TERM OBLIGATIONS** (continued)

School Improvement Bonds 1996

The School District issued \$2,587,000 in voted general obligation bonds for the purpose of constructing a new middle school building. The bonds were issued for a twenty-three year period with final maturity on December 1, 2019. The bonds will be retired from the Debt Service Fund.

School Improvement Bonds 1995

The School District issued \$505,000 in voted general obligation bonds for the purpose of constructing an addition and improvement to the elementary and high school building. The bonds were issued for a twenty-three year period with final maturity on December 1, 2018. The bonds will be retired from the Debt Service Fund.

Compensated absences will be paid from the General and Food Service Funds.

The School District's overall legal debt margin was \$4,672,782 with an unvoted debt margin of \$73,645 at June 30, 2005.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2005, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2006	\$114,566	\$137,021	\$251,587
2007	125,376	130,166	255,542
2008	156,220	122,078	278,298
2009	160,938	112,593	273,531
2010	150,000	103,312	253,312
2011-2015	945,000	355,581	1,300,581
2016-2020	690,000	68,837	758,837
Total	<u>\$2,342,100</u>	<u>\$1,029,588</u>	<u>\$3,371,688</u>



**NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS**

**A. South Central Ohio Computer Association (SCOCA)**

The School District is a participant in the South Central Ohio Computer Association (SCOCA), which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Adams, Brown, Highland, Pike, Ross, Scioto, Vinton, Jackson, Lawrence, Pickaway, and Gallia Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District paid SCOCA \$44,674 for services provided during the fiscal year. Financial information can be obtained from the fiscal agent, the Pike County Joint Vocational School District, P.O. Box 577, 175 Beaver Creek Rd., Piketon, Ohio, 45661.

**B. Hopewell Special Education Regional Resource Center (Hopewell)**

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 Clinton-Fayette-Highland Educational Service District, 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 Drive, Wilmington, Ohio, 45177.

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

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

**NOTE 15 – PUBLIC ENTITY SHARED RISK AND INSURANCE PURCHASING POOL**

**Brown County Schools Benefits Consortium**

The Brown County Schools Benefits Consortium, a public entity shared risk and insurance purchasing pool, currently operates to provide health insurance (insurance purchasing pool) and dental coverage (public entity shared risk pool) to enrolled employees of the consortium members and to eligible dependents of those enrolled employees. Six Brown County school districts (Eastern, Fayetteville-Perry, Georgetown, Ripley-Union-Lewis-Huntington, Southern Hills Joint Vocational and Western Brown Schools) 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 and dental insurance for the benefit of the consortium members' employees and their dependents. The consortium contracts with Medical Mutual of Ohio to provide medical insurance directly to consortium member employees. The School District pays premiums to the consortium based on employee membership. For dental coverage the consortium acts as a public entity shared risk pool. Each member district pays dental premiums based on the consortium estimates of future claims. If the member district's dental claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the School District's claims are low, it will not receive a refund. Dental coverage is administered through a third party administrator, CoreSource. Participating member districts pay an administrative fee to the fiscal agent to cover the costs associated with the administering of the Consortium. To obtain financial information write to Brown County Educational Service Center at 325 West State St., Georgetown, Ohio 45121.

**NOTE 16 – INSURANCE PURCHASING POOL**

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

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

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

**Fayetteville-Perry Local School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside Reserve Balance as of June 30, 2004	(\$339,951)	\$0
Current Year Set-aside Requirement	140,759	140,759
Current Year Offsets	0	(96,242)
Qualifying Disbursements	(143,452)	(428,040)
Totals	<u>(\$342,644)</u>	<u>(\$383,523)</u>
Set-aside Reserve Balance as of June 30, 2005	<u>\$0</u>	<u>\$0</u>
Required Set-aside Balances Carried Forward to FY 2005	<u>(\$342,644)</u>	<u>\$0</u>

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

**NOTE 18 – INTERFUND ACTIVITY**

As of June 30, 2005, receivables and payables that resulted from various interfund transactions were as follows:

	<u>Receivable</u>
	<u>General</u>
<b>Payable</b>	<u>\$1,173</u>
Other Governmental Funds	

The amounts due to the General Fund are the result of the School District moving unrestricted balances to support programs and projects accounted for in other funds. The General Fund will be reimbursed when funds become available in the special revenue funds.

**NOTE 19 - 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 are 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, 2005.

**B. Litigation**

The School District is not party to any legal proceedings.



## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fayetteville-Perry Local School District, Brown County, Ohio (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 10, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated May 10, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated May 10, 2006, we reported a matter related to noncompliance we deemed immaterial.

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

We intend this report solely for the information and use of the audit committee, management, and the Board of Education, and are not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

May 10, 2006



**Auditor of State  
Betty Montgomery**

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Facsimile 614-466-4490

**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  
MAY 30, 2006**