



Mary Taylor, CPA
Auditor of State

FAYETTEVILLE-PERRY LOCAL SCHOOL DISTRICT
BROWN COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fayetteville-Perry Local School District, Brown County, Ohio (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fayetteville-Perry Local School District, Brown County, Ohio, as of June 30, 2008, 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 March 26, 2009, 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 "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

March 26, 2009

Fayetteville-Perry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

As management of the Fayetteville-Perry Local School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's performance.

Financial Highlights

- The assets of the Fayetteville-Perry Local School District exceeded its liabilities at June 30, 2008 by \$28,136,494.
- The School District's net assets decreased by \$187,015 during this fiscal year's operations.
- General revenues accounted for \$7,630,576 or 79 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions and interest accounted for \$2,070,084 or 21 percent of total revenues of \$9,700,660.
- The School District had \$9,887,675 in expenses related to governmental activities; only \$2,070,084 of these expenses were offset by program specific charges for services and sales, grants, contributions and interest.

Using the Basic Financial Statements

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

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

Fayetteville-Perry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Reporting the School District as a Whole

One of the most important questions asked about the School District is “How did we do financially during fiscal year 2008?” 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 fiscal year's revenues and expenses regardless of when cash is received or paid.

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 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.

Fayetteville-Perry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

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

Table 1 provides a summary of the School District's net assets for fiscal years 2008 and 2007:

(Table 1)
Net Assets
Governmental Activities

	2008	2007	Change
Assets			
Current and Other Assets	\$23,384,687	\$28,656,481	(\$5,271,794)
Capital Assets, Net	18,276,266	11,826,028	6,450,238
Total Assets	<u>41,660,953</u>	<u>40,482,509</u>	<u>1,178,444</u>
Liabilities			
Other Liabilities	(4,462,097)	(2,802,420)	(1,659,677)
Long-Term Liabilities	(9,062,362)	(9,356,580)	294,218
Total Liabilities	<u>(13,524,459)</u>	<u>(12,159,000)</u>	<u>(1,365,459)</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	15,438,369	8,727,261	6,711,108
Restricted	11,074,292	17,440,015	(6,365,723)
Unrestricted	1,623,833	2,156,233	(532,400)
Total Net Assets	<u>\$28,136,494</u>	<u>\$28,323,509</u>	<u>(\$187,015)</u>

Net assets decreased by \$187,015 and current and other assets decreased by \$5,271,794 during the fiscal year. This was due primarily to a decrease in intergovernmental receivables resulting from the receipt of Ohio School Facilities Commission funding offset by increases in cash and cash equivalents. Capital assets increased by \$6,450,238 due to the construction of new buildings. Other liabilities increased by \$1,659,677 due mainly to increases in contracts payable related to the construction of new buildings. Restricted assets decreased \$6,365,723 due to the spending of Ohio School Facilities Commission funding that was received in fiscal years 2007 and 2008.

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

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

Fayetteville-Perry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

(Table 2)
Change in Net Assets
Governmental Activities

	2008	2007	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	\$1,113,508	\$1,093,773	\$19,735
Operating Grants, Contributions and Interest	956,576	907,843	48,733
Total Program Revenues	<u>2,070,084</u>	<u>2,001,616</u>	<u>68,468</u>
General Revenues:			
Property Taxes	2,278,292	2,376,692	(98,400)
Grants and Entitlements not			
Restricted to Specific Programs	4,703,355	4,728,864	(25,509)
Gifts and Donations	3,554	1,165	2,389
Interest	579,156	621,615	(42,459)
Miscellaneous	66,219	64,635	1,584
Total General Revenues	<u>7,630,576</u>	<u>7,792,971</u>	<u>(162,395)</u>
Total Revenues	<u>\$9,700,660</u>	<u>\$9,794,587</u>	<u>(\$93,927)</u>

(continued)

Fayetteville-Perry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

(Table 2)
Change in Net Assets
Governmental Activities
(continued)

	2008	2007	Change
Program Expenses			
Instruction:			
Regular	\$3,666,416	\$3,501,313	(\$165,103)
Special	943,714	980,973	37,259
Vocational	180,096	168,711	(11,385)
Student Intervention Services	30,839	21,076	(9,763)
Support Services:			
Pupils	372,451	386,798	14,347
Instructional Staff	810,005	745,209	(64,796)
Board of Education	58,918	58,455	(463)
Administration	824,114	763,478	(60,636)
Fiscal	309,528	295,112	(14,416)
Operation and Maintenance of Plant	914,118	858,095	(56,023)
Pupil Transportation	670,204	554,791	(115,413)
Central	7,189	6,972	(217)
Operation of Non-Instructional Services:			
Other	58,555	28,374	(30,181)
Food Services	458,224	425,105	(33,119)
Extracurricular Activities	203,644	176,140	(27,504)
Interest and Fiscal Charges	379,660	376,493	(3,167)
Total Expenses	<u>9,887,675</u>	<u>9,347,095</u>	<u>(540,580)</u>
Change in Net Assets	(187,015)	447,492	(634,507)
Net Assets at Beginning of Year	<u>28,323,509</u>	<u>27,876,017</u>	<u>447,492</u>
Net Assets at End of Year	<u><u>\$28,136,494</u></u>	<u><u>\$28,323,509</u></u>	<u><u>(\$187,015)</u></u>

Property taxes decreased by \$98,400 due mainly to the phase out of tangible personal property tax.

Regular instruction expenses increased \$165,103 due to salary increases and contract renegotiations.

Pupil transportation expenses increased \$115,413 due to salary increases and higher fuel and utility costs.

Fayetteville-Perry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Governmental Activities

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

(Table 3)
Governmental Activities

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Instruction	\$4,821,065	(\$3,469,578)	\$4,672,073	(\$3,367,352)
Support Services	3,966,527	(3,717,128)	3,668,910	(3,435,891)
Operation of Non-				
Instructional Services	516,779	(112,278)	453,479	(37,671)
Extracurricular Activities	203,644	(138,947)	176,140	(128,072)
Interest and Fiscal Charges	379,660	(379,660)	376,493	(376,493)
Total Expenses	<u>\$9,887,675</u>	<u>(\$7,817,591)</u>	<u>\$9,347,095</u>	<u>(\$7,345,479)</u>

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 \$20,427,593 and expenditures of \$16,623,060. The net change in fund balance for the fiscal year was most significant in the OSFC Classroom Facilities Fund, an increase of \$4,249,456. Intergovernmental revenues increased \$9,531,920 due to increases in OSFC funds while capital outlay expenditures increased \$5,840,300. The net change in fund balance for the fiscal year in the General Fund was a decrease of \$529,511. This was due to increases in salaries and overall costs of operation. The net changes in fund balances for the fiscal year in the OSFC Locally Funded Initiative and Debt Service Funds were \$53,042 and \$57,997, respectively.

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 2008, 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 \$22,442 below the final budgeted amount in the General Fund.

Fayetteville-Perry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
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For the General Fund, actual revenues were \$7,684,924, a \$20,789 decrease under final budget estimates of \$7,705,713. Final budget estimates were \$141,707 higher than original budget estimates of \$7,564,006. Actual expenditures in the General Fund were \$8,202,947, a \$1,653 increase over final budget estimates of \$8,201,294. Final budget estimates were \$374,895 higher than original budget estimates of \$7,826,399. When original budgeted revenues and expenditures were estimated, the School District based the estimate on a percentage of the prior fiscal 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 it was discovered 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, 2008 was \$18,276,266. This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, furniture, fixtures and equipment, and vehicles. Table 4 shows fiscal year 2008 balances compared to fiscal year 2007:

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

	2008	2007	Change
Land	\$89,380	\$89,380	\$0
Construction in Progress	7,912,765	1,084,227	6,828,538
Land Improvements	12,546	13,231	(685)
Buildings and Improvements	9,597,017	9,880,067	(283,050)
Furniture, Fixtures and Equipment	339,036	359,130	(20,094)
Vehicles	325,522	399,993	(74,471)
Totals	\$18,276,266	\$11,826,028	\$6,450,238

Net capital assets increased \$6,450,238 from the prior fiscal year, primarily due to the construction of new school buildings and additions exceeding current year depreciation.

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

Fayetteville-Perry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Debt

At June 30, 2008 the School District had \$8,724,546 in bonds outstanding with \$305,952 due within one year. Table 5 summarizes bonds outstanding:

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

	2008	2007
General Obligation Bonds:		
Various Purpose Bonds 2003	\$10,952	\$32,769
School Improvement Bonds 1996	0	115,000
School Improvement Refunding Bonds 2006	8,690,000	8,850,000
Premium on Refunding Bonds	119,652	124,254
Gain on Refunding	(96,058)	(99,753)
Totals	\$8,724,546	\$9,022,270

The School District's overall legal debt margin was \$320,878 with an unvoted debt margin of \$88,409 at June 30, 2008.

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, 2008

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$17,102,025
Prepaid Items	5,383
Inventory Held for Resale	9,408
Materials and Supplies Inventory	1,581
Intergovernmental Receivable	3,563,835
Property Taxes Receivable	2,593,900
Deferred Charges	108,555
Capital Assets:	
Land	89,380
Construction in Progress	7,912,765
Depreciable Capital Assets, Net	<u>10,274,121</u>
<i>Total Assets</i>	<u>41,660,953</u>
Liabilities:	
Accounts Payable	26,452
Accrued Wages and Benefits Payable	715,754
Intergovernmental Payable	219,149
Contracts Payable	1,491,541
Deferred Revenue	1,942,578
Matured Compensated Absences Payable	11,364
Special Termination Benefits Payable	24,274
Accrued Interest Payable	30,985
Long-Term Liabilities:	
Due Within One Year	335,102
Due in More Than One Year	<u>8,727,260</u>
<i>Total Liabilities</i>	<u>13,524,459</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	15,438,369
Restricted for:	
Capital Outlay	9,782,535
Debt Service	1,069,427
Other Purposes	222,330
Unrestricted	<u>1,623,833</u>
<i>Total Net Assets</i>	<u><u>\$28,136,494</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, 2008

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities	
Governmental Activities:				
Instruction:				
Regular	\$3,666,416	\$628,365	\$43,465	(\$2,994,586)
Special	943,714	144,822	460,886	(338,006)
Vocational	180,096	29,884	38,702	(111,510)
Student Intervention Services	30,839	5,363	0	(25,476)
Support Services:				
Pupils	372,451	0	87,493	(284,958)
Instructional Staff	810,005	0	104,274	(705,731)
Board of Education	58,918	0	0	(58,918)
Administration	824,114	0	17,791	(806,323)
Fiscal	309,528	0	0	(309,528)
Operation and Maintenance of Plant	914,118	0	31,806	(882,312)
Pupil Transportation	670,204	0	8,035	(662,169)
Central	7,189	0	0	(7,189)
Operation of Non-Instructional Services:				
Other	58,555	0	0	(58,555)
Food Services	458,224	247,580	156,921	(53,723)
Extracurricular Activities	203,644	57,494	7,203	(138,947)
Interest and Fiscal Charges	379,660	0	0	(379,660)
Total Governmental Activities	\$9,887,675	\$1,113,508	\$956,576	(7,817,591)

General Revenues:

Property Taxes Levied for:	
General Purposes	1,538,202
Debt Service	635,125
Capital Outlay	104,965
Grants and Entitlements not Restricted to Specific Programs	4,703,355
Gifts and Donations	3,554
Interest	579,156
Miscellaneous	66,219
Total General Revenues	7,630,576
Change in Net Assets	(187,015)
Net Assets at Beginning of Year	28,323,509
Net Assets at End of Year	\$28,136,494

See accompanying notes to the basic financial statements

Fayetteville-Perry Local School District

Balance Sheet
Governmental Funds
June 30, 2008

	General Fund	Debt Service Fund	OSFC Locally Funded Initiative Fund	OSFC Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
Assets:						
Equity in Pooled Cash and Cash Equivalents	\$2,229,205	\$916,873	\$4,192,165	\$9,403,894	\$357,263	\$17,099,400
Inventory Held for Resale	0	0	0	0	9,408	9,408
Materials and Supplies Inventory	0	0	0	0	1,581	1,581
Interfund Receivable	235,680	0	0	0	0	235,680
Intergovernmental Receivable	0	0	0	3,321,205	242,630	3,563,835
Prepaid Items	2,071	0	0	0	3,312	5,383
Property Taxes Receivable	1,752,065	722,465	0	0	119,370	2,593,900
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	2,625	0	0	0	0	2,625
Total Assets	\$4,221,646	\$1,639,338	\$4,192,165	\$12,725,099	\$733,564	\$23,511,812
Liabilities:						
Accounts Payable	\$22,288	\$0	\$0	\$0	\$4,164	\$26,452
Accrued Wages and Benefits Payable	682,271	0	0	0	33,483	715,754
Contracts Payable	3,300	0	103,690	1,372,351	12,200	1,491,541
Interfund Payable	0	0	0	0	235,680	235,680
Special Termination Benefits Payable	24,274	0	0	0	0	24,274
Intergovernmental Payable	206,118	0	0	0	13,031	219,149
Matured Compensated Absences Payable	11,364	0	0	0	0	11,364
Deferred Revenue	1,401,181	574,327	0	3,321,205	101,926	5,398,639
Total Liabilities	2,350,796	574,327	103,690	4,693,556	400,484	8,122,853
Fund Balances:						
Reserved for Encumbrances	159,930	0	47,578	11,243,639	23,649	11,474,796
Reserved for Property Taxes	350,884	148,138	0	0	24,391	523,413
Reserved for Bus Purchases	2,625	0	0	0	0	2,625
Unreserved:						
Undesignated, Reported in:						
General Fund	1,357,411	0	0	0	0	1,357,411
Special Revenue Funds	0	0	0	0	189,979	189,979
Debt Service Fund	0	916,873	0	0	0	916,873
Capital Projects Funds (Deficit)	0	0	4,040,897	(3,212,096)	95,061	923,862
Total Fund Balances	1,870,850	1,065,011	4,088,475	8,031,543	333,080	15,388,959
Total Liabilities and Fund Balances	\$4,221,646	\$1,639,338	\$4,192,165	\$12,725,099	\$733,564	\$23,511,812

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, 2008

Total Governmental Fund Balances \$15,388,959

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

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

Land	89,380	
Construction in progress	7,912,765	
Other capital assets	16,003,141	
Accumulated depreciation	(5,729,020)	
Total capital assets	18,276,266	18,276,266

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	127,909	
Intergovernmental	3,328,152	
	3,456,061	3,456,061

Bond issuance costs reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis. 108,555

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

Bonds payable	(8,700,952)	
Bond premium	(119,652)	
Gain on refunding	96,058	
Accrued interest on bonds	(30,985)	
Compensated absences	(337,816)	
Total liabilities	(9,093,347)	(9,093,347)

Net Assets of Governmental Activities \$28,136,494

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, 2008

	General Fund	Debt Service Fund	OSFC Locally Funded Initiative Fund	OSFC Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Property Taxes	\$1,527,286	\$630,802	\$0	\$0	\$104,242	\$2,262,330
Intergovernmental	5,033,249	93,265	0	10,729,441	535,588	16,391,543
Interest	180,194	0	183,394	215,568	4,080	583,236
Tuition and Fees	766,252	0	0	0	42,182	808,434
Extracurricular Activities	0	0	0	0	57,494	57,494
Gifts and Donations	3,554	0	0	0	7,203	10,757
Customer Sales and Services	0	0	0	0	247,580	247,580
Miscellaneous	38,850	0	0	0	27,369	66,219
Total Revenues	7,549,385	724,067	183,394	10,945,009	1,025,738	20,427,593
Expenditures:						
Current:						
Instruction:						
Regular	3,418,453	0	0	0	111,391	3,529,844
Special	841,488	0	0	0	83,127	924,615
Vocational	174,555	0	0	0	3,321	177,876
Student Intervention Services	30,839	0	0	0	0	30,839
Support Services:						
Pupils	282,176	0	0	0	87,200	369,376
Instructional Staff	670,791	0	0	0	116,085	786,876
Board of Education	58,918	0	0	0	0	58,918
Administration	777,136	0	0	0	17,935	795,071
Fiscal	283,598	20,696	0	0	3,426	307,720
Operation and Maintenance of Plant	812,935	0	0	0	67,648	880,583
Pupil Transportation	528,288	0	0	0	40,000	568,288
Central	7,189	0	0	0	0	7,189
Operation of Non-Instructional Services:						
Other	58,555	0	0	0	0	58,555
Food Services	0	0	0	0	430,142	430,142
Extracurricular Activities	131,342	0	0	0	68,975	200,317
Capital Outlay	2,633	0	130,352	6,695,553	0	6,828,538
Debt Service						
Principal Retirement	0	275,000	0	0	21,817	296,817
Interest and Fiscal Charges	0	370,374	0	0	1,122	371,496
Total Expenditures	8,078,896	666,070	130,352	6,695,553	1,052,189	16,623,060
Net Change in Fund Balances	(529,511)	57,997	53,042	4,249,456	(26,451)	3,804,533
Fund Balances at Beginning of Year	2,400,361	1,007,014	4,035,433	3,782,087	359,531	11,584,426
Fund Balances at End of Year	\$1,870,850	\$1,065,011	\$4,088,475	\$8,031,543	\$333,080	\$15,388,959

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, 2008

Net Change in Fund Balances - Total Governmental Funds \$3,804,533

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

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

Capital assets additions	6,860,048	
Depreciation expense	(409,810)	
Excess of depreciation expense under capital outlay		6,450,238

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	15,962	
Intergovernmental	(10,742,895)	
		(10,726,933)

Amortization of bond premium, issuance costs and deferred gain on the refunding of debt are not reported in the funds, but are allocated as an expense over the life of the debt in the Statement of Activities.

Amortization of bond premium	4,602	
Amortization of bond issuance costs	(4,175)	
Amortization of gain on refunding	(3,695)	
		(3,268)

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

Bond payments		296,817
---------------	--	---------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional amount of interest on the Statement of Activities is the result of the following:

Increase in accrued interest payable		(4,896)
--------------------------------------	--	---------

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

Increase in compensated absences payable		(3,506)
--	--	---------

Change in Net Assets of Governmental Activities (\$187,015)

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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$1,696,467	\$1,885,223	\$1,662,825	(\$222,398)
Intergovernmental	4,887,197	4,848,009	5,033,249	185,240
Interest	195,151	193,586	180,194	(13,392)
Tuition and Fees	744,017	738,051	766,252	28,201
Gifts and Donations	3,452	3,424	3,554	130
Miscellaneous	37,722	37,420	38,850	1,430
<i>Total Revenues</i>	<u>7,564,006</u>	<u>7,705,713</u>	<u>7,684,924</u>	<u>(20,789)</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,211,470	3,388,271	3,388,271	0
Special	814,639	865,060	865,060	0
Vocational	172,286	178,237	178,237	0
Student Intervention Services	29,678	31,495	31,495	0
Support Services:				
Pupils	266,596	282,102	282,102	0
Instructional Staff	639,262	668,521	668,521	0
Board of Education	65,714	66,895	66,895	0
Administration	739,582	779,061	780,565	(1,504)
Fiscal	272,044	286,098	286,148	(50)
Operation and Maintenance of Plant	851,709	884,692	884,692	0
Pupil Transportation	551,940	561,948	561,955	(7)
Central	6,944	7,189	7,189	0
Operation of Non-Instructional Services	54,920	58,555	58,555	0
Extracurricular Activities	125,244	130,594	130,686	(92)
Capital Outlay	24,371	12,576	12,576	0
<i>Total Expenditures</i>	<u>7,826,399</u>	<u>8,201,294</u>	<u>8,202,947</u>	<u>(1,653)</u>
<i>Net Change in Fund Balance</i>	(262,393)	(495,581)	(518,023)	(22,442)
<i>Fund Balance at Beginning of Year</i>	2,658,514	2,658,514	2,658,514	0
<i>Prior Year Encumbrances Appropriated</i>	134,259	134,259	134,259	0
<i>Fund Balance at End of Year</i>	<u>\$2,530,380</u>	<u>\$2,297,192</u>	<u>\$2,274,750</u>	<u>(\$22,442)</u>

See accompanying notes to the basic financial statements

Fayetteville-Perry Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$3,171	\$40,986
Liabilities:		
Undistributed Monies	0	\$40,986
Net Assets:		
Held in Trust for Scholarships	\$3,171	

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, 2008

	Private Purpose Trust
	Scholarship
<i>Additions:</i>	
Interest	\$128
 <i>Net Assets at Beginning of Year</i>	3,043
 <i>Net Assets at End of Year</i>	\$3,171

See accompanying notes to the basic financial statements

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**FAYETTEVILLE PERRY LOCAL SCHOOL DISTRICT
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The Fayetteville-Perry Local School District was established in 1895. The School District serves an area of approximately 62 square miles. It is located in Brown County and includes the Village of Fayetteville and Perry Township. The School District is staffed by 46 non-certificated employees, 64 certificated personnel and 10 administrative employees who provide services to 1,035 students and other community members. The School District currently operates three instructional buildings.

Reporting Entity:

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

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

The School District participates in five organizations, three of which are defined as jointly governed organizations, one as a public entity shared risk and insurance purchasing pool, and one as an insurance purchasing pool. These organizations are the South Central Ohio Computer Association, the Southern Hills Joint Vocational School District, the Unified Purchasing Cooperative of the Ohio River Valley, the Brown County Schools Benefits Consortium, and the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan. These organizations are presented in notes 15, 16, and 17 of the basic financial statements.

**FAYETTEVILLE PERRY LOCAL SCHOOL DISTRICT
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-wide Financial Statements

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

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

**FAYETTEVILLE PERRY LOCAL SCHOOL DISTRICT
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. 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.

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

**FAYETTEVILLE PERRY LOCAL SCHOOL DISTRICT
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Fiduciary Funds:

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

C. Measurement Focus

Government-wide Financial Statements:

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

Fund Financial Statements:

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

**FAYETTEVILLE PERRY LOCAL SCHOOL DISTRICT
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions:

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 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 2008, the School District's investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), negotiable certificates of deposit, and the Victory Prime Obligations Money Market Mutual Fund. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments are reported at fair value which, except for investments in open-end mutual funds, is based on quoted market prices. Fair value for investments in open-end mutual funds is based on the fund's current share price.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2008 amounted to \$180,194, which includes \$54,245 assigned from other School District funds.

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

**FAYETTEVILLE PERRY LOCAL SCHOOL DISTRICT
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Inventory

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008, 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. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent unexpended grants restricted for the purchase of buses.

I. Capital Assets

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

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of 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 and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

**FAYETTEVILLE PERRY LOCAL SCHOOL DISTRICT
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

<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

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

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

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

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

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable 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.

**FAYETTEVILLE PERRY LOCAL SCHOOL DISTRICT
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Net Assets

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

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

The government-wide Statement of Net Assets reports \$11,074,292 of restricted net assets, none of which are restricted by enabling legislation.

**FAYETTEVILLE PERRY LOCAL SCHOOL DISTRICT
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute for fiscal year 2008.

O. Internal Activity

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures 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.

P. Estimates

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

Q. Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, 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.

**FAYETTEVILLE PERRY LOCAL SCHOOL DISTRICT
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)**

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 as final budgeted amounts reflect the amounts in the amended certificate that was in effect at the time the final appropriations were passed.

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

NOTE 3 - COMPLIANCE

The General Fund had budgetary expenditures in excess of appropriations for the fiscal year ended June 30, 2008 in the amount of \$1,653.

Appropriations exceeded estimated resources in certain funds.

Actual receipts were less than estimated receipts, and the deficiency reduced available resources below the current level of appropriations in certain funds.

The School District will monitor budgetary controls more closely in the future to alleviate such compliance issues.

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).

**FAYETTEVILLE PERRY LOCAL SCHOOL DISTRICT
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

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

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

Net Change in Fund Balance	
GAAP Basis	(\$529,511)
Adjustments:	
Revenue Accruals	135,539
Expenditure Accruals	68,709
Encumbrances	(192,760)
Budget Basis	(\$518,023)

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 can be deposited or invested in the following securities:

**FAYETTEVILLE PERRY LOCAL SCHOOL DISTRICT
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$5,099,748 of the School District's bank balance of \$5,299,748 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation (FDIC).

**FAYETTEVILLE PERRY LOCAL SCHOOL DISTRICT
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of June 30, 2008, the School District had the following investments, which are in an internal investment pool:

	<u>Fair Value</u>	<u>Maturity</u>
STAROhio	\$11,066,940	Average 53.8 Days
Negotiable certificates of deposit	500,000	Less than one year
Victory Prime Obligations Money Market Mutual Fund	2,073,310	Average 31 Days
Total Investments	<u>\$13,640,250</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

STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The negotiable certificates of deposit are in denominations of under \$100,000 each, in separate banks, and are insured by the FDIC. The negotiable certificates of deposit are, therefore, not subject to credit risk. The Victory Prime Obligations Money Market Mutual Fund is unrated. The School District has no investment policy that addresses credit risk.

**FAYETTEVILLE PERRY LOCAL SCHOOL DISTRICT
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, 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 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007, and are collected in calendar year 2008 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 2008 (other than public utility property tax) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Brown County. The 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, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**FAYETTEVILLE PERRY LOCAL SCHOOL DISTRICT
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 6 - PROPERTY TAXES (continued)

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 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 and are reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2008, was \$350,884 in the General Fund, \$148,138 in the Debt Service Fund and \$24,391 in the Other Governmental Funds. The amount available as an advance at June 30, 2007, was \$482,870 in the General Fund, \$204,012 in the Debt Service Fund and \$33,588 in the Other Governmental Funds.

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

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second - Half Collections		2008 First - Half Collections	
	Amount	Percentage	Amount	Percentage
Real Estate	\$85,122,220	96.66%	\$86,831,830	96.72%
Public Utility Personal	2,570,770	2.92%	2,122,140	2.36%
General Business Personal	369,281	0.42%	824,386	0.92%
Total Assessed Value	<u>\$88,062,271</u>	<u>100.00%</u>	<u>\$89,778,356</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$39.55		\$39.55	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2008, consisted of intergovernmental grants, interfund and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. The School District expects to receive draw downs on the OSFC Renovation Project grant through fiscal year 2010. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year. A summary of the principal items of intergovernmental receivables follows:

**FAYETTEVILLE PERRY LOCAL SCHOOL DISTRICT
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 7 – RECEIVABLES (continued)

	Amounts
<u>Governmental Activities:</u>	
OSFC Renovation Project	\$3,321,205
Title VI-B	175,376
Title I	29,389
Title VI	1,303
Drug Free Grant	2,500
Improving Teacher Quality Grant	33,396
Title II-D	666
Total Intergovernmental Receivables	<u>\$3,563,835</u>

During fiscal year 2006, the School District was awarded a grant in the amount of \$15,719,715 from the Ohio School Facilities Commission for renovating and constructing school buildings, of which \$471,548 was received in fiscal year 2006, \$1,197,521 in fiscal year 2007, and \$10,729,441 in fiscal year 2008.

NOTE 8 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2008, was as follows:

	Balance at 6/30/07	Additions	Deductions	Balance at 6/30/08
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$89,380	\$0	\$0	\$89,380
Construction in Progress	1,084,227	6,828,538	0	7,912,765
Total Capital Assets Not Being Depreciated	1,173,607	6,828,538	0	8,002,145
Capital Assets Being Depreciated:				
Land Improvements	898,920	0	0	898,920
Buildings and Improvements	12,916,005	0	0	12,916,005
Furniture, Fixtures and Equipment	1,127,843	31,510	0	1,159,353
Vehicles	1,077,305	0	(48,442)	1,028,863
Totals Capital Assets Being Depreciated	16,020,073	31,510	(48,442)	16,003,141
Less Accumulated Depreciation:				
Land Improvements	(885,689)	(685)	0	(886,374)
Building and Improvements	(3,035,938)	(283,050)	0	(3,318,988)
Furniture, Fixtures and Equipment	(768,713)	(51,604)	0	(820,317)
Vehicles	(677,312)	(74,471)	48,442	(703,341)
Total Accumulated Depreciation	(5,367,652)	(409,810) *	48,442	(5,729,020)
Total Capital Assets Being Depreciated, Net	10,652,421	(378,300)	0	10,274,121
Governmental Activities Capital Assets, Net	\$11,826,028	\$6,450,238	\$0	\$18,276,266

**FAYETTEVILLE PERRY LOCAL SCHOOL DISTRICT
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 8 - CAPITAL ASSETS (continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$144,072
Special	18,571
Vocational	2,220
Support Services:	
Pupils	2,220
Instructional Staff	31,015
Administration	18,315
Fiscal	7,001
Operation and Maintenance of Plant	52,345
Pupil Transportation	99,517
Operation of Non-Instructional Services - Food Services	31,207
Extracurricular Activities	3,327
Total Depreciation Expense	<u><u>\$409,810</u></u>

NOTE 9 - RISK MANAGEMENT

A. Property and Liability Insurance

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, 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.

**FAYETTEVILLE PERRY LOCAL SCHOOL DISTRICT
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 9 - RISK MANAGEMENT (continued)

B. Workers' Compensation

For fiscal year 2008, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Uniservice, Inc. provides administrative, cost control, and actuarial services to the GRP.

C. Employee Medical and Dental Benefits

The School District participates in the Brown County Schools Benefits Consortium (the Consortium), a public entity shared risk and insurance purchasing pool (note 16) consisting of nine districts. The Consortium has elected to have Humana provide medical coverage purchased as a group through the Consortium. Dental coverage is being provided through a shared risk pool based on member districts' number of employees. The School District is responsible for providing a current listing of enrolled employees and for providing timely pro-rata payments of premiums to the Consortium for employee health coverage. The Consortium is responsible for the management and operations of the program. Upon termination from the Consortium, for any reason, the terminated member assumes and is responsible for the payment of any delinquent contributions relating to the medical insurance and all claims related to dental of its employees from the date of termination, regardless of the date such claims were incurred.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

**FAYETTEVILLE PERRY LOCAL SCHOOL DISTRICT
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District’s required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$113,000, \$114,914 and \$115,906 respectively; 48.65 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

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

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

**FAYETTEVILLE PERRY LOCAL SCHOOL DISTRICT
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

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

Funding Policy – For the fiscal year ended June 30, 2008, 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 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$455,076, \$429,407, and \$416,236 respectively; 83.21 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$9,972 made by the School District and \$17,861 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, 2008, three members of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

**FAYETTEVILLE PERRY LOCAL SCHOOL DISTRICT
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

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

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$70,430, \$57,444, and \$58,967 respectively; 48.65 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$8,142, \$7,814, and \$9,225 respectively; 48.65 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**FAYETTEVILLE PERRY LOCAL SCHOOL DISTRICT
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

B. State Teachers Retirement System of Ohio

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$35,006, \$33,031, and \$32,018 respectively; 83.21 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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

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

B. Special Termination Benefit

The School District offers an Early Retirement Incentive program to all employees who are eligible to retire from either SERS or STRS. If an employee chooses to retire in the first year in which they become eligible, they will be compensated for one-half of the accrued, but unused sick leave credit to a maximum of 103 days. In fiscal year 2008, one employee accepted the early retirement incentive. The outstanding balance at June 30, 2008 was \$24,274 and will be paid on July 30, 2008.

**FAYETTEVILLE PERRY LOCAL SCHOOL DISTRICT
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 12 - EMPLOYEE BENEFITS (continued)

C. Health Care Benefits

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

NOTE 13 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2008 were as follows:

	Amount Outstanding 6/30/07	Additions	Deductions	Amount Outstanding 6/30/08	Amounts Due in One Year
<u>Governmental Activities:</u>					
Various Purpose Bonds					
2003 4.10%	\$32,769	\$0	\$21,817	\$10,952	\$10,952
School Improvement Bonds					
1996 6.00%	115,000	0	115,000	0	0
School Improvement Refunding					
Bonds 2006 3.75 - 4.50%	8,850,000	0	160,000	8,690,000	295,000
Premium on Refunding Bonds	124,254	0	4,602	119,652	0
Gain on Refunding	(99,753)	0	(3,695)	(96,058)	0
Compensated Absences	334,310	65,569	62,063	337,816	29,150
Total Governmental Activities					
Long-Term Obligations	<u>\$9,356,580</u>	<u>\$65,569</u>	<u>\$359,787</u>	<u>\$9,062,362</u>	<u>\$335,102</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.

Principal and interest requirements to retire the various purpose bonds at June 30, 2008, are as follows:

<u>Various Purpose Bonds 2003</u>			
Fiscal year Ending June 30,	Principal	Interest	Total
2009	<u>\$10,952</u>	<u>\$224</u>	<u>\$11,176</u>

**FAYETTEVILLE PERRY LOCAL SCHOOL DISTRICT
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)**

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.

On November 1, 2006, the School District refunded \$1,615,000 of these bonds leaving \$115,000 due in 2008. These bonds were retired during the fiscal year.

School Improvement Refunding Bonds 2006

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

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

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

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

**FAYETTEVILLE PERRY LOCAL SCHOOL DISTRICT
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 13 - LONG-TERM OBLIGATIONS (continued)

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

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

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

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

The School District defeased the 1996 School Improvement Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments due on the old bonds. Accordingly, the trust assets and the liability of the defeased bonds are not included in the School District's financial statements. As of June 30, 2008, \$1,615,000 of the bonds was unmatured and unpaid.

As of June 30, 2008, all of the bond proceeds had been spent, however, \$5,778,094 of the original note proceeds were unspent.

Principal and interest requirements to retire the school improvement refunding bonds outstanding at June 30, 2008, are as follows:

**FAYETTEVILLE PERRY LOCAL SCHOOL DISTRICT
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 13 - LONG-TERM OBLIGATIONS (continued)

School Improvement Refunding Bonds 2007			
Fiscal year Ending June 30,	Principal	Interest	Total
2009	\$295,000	\$364,691	\$659,691
2010	300,000	353,460	653,460
2011	335,000	341,311	676,311
2012	345,000	328,135	673,135
2013	360,000	314,208	674,208
2014-2018	2,035,000	1,328,655	3,363,655
2019-2023	1,250,000	974,968	2,224,968
2024-2028	1,495,000	682,087	2,177,087
2029-2033	1,855,000	310,388	2,165,388
2034	420,000	9,450	429,450
Total	\$8,690,000	\$5,007,353	\$13,697,353

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

The School District's overall legal debt margin was \$320,878 with an unvoted debt margin of \$88,409 at June 30, 2008.

NOTE 14 - INTERFUND ACTIVITY

As of June 30, 2008, receivables and payables that resulted from various interfund transactions were as follows:

		Receivable
Payable		General
	Other Governmental Funds	\$235,680

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

**FAYETTEVILLE PERRY LOCAL SCHOOL DISTRICT
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

A. South Central Ohio Computer Association

The School District is a participant in the South Central Ohio Computer Association (SCOCA), which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Adams, Brown, Highland, Pike, Ross, Scioto, Vinton, Jackson, Lawrence, Pickaway, and Gallia Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District paid SCOCA \$55,959 for services provided during the fiscal year. Financial information can be obtained from the fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, Treasurer, at P.O. Box 577, 175 Beaver Creek Rd., Piketon, Ohio, 45661.

B. Southern Hills Joint Vocational School District

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

C. Unified Purchasing Cooperative of the Ohio River Valley

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

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

**FAYETTEVILLE PERRY LOCAL SCHOOL DISTRICT
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS (continued)

During fiscal year 2008, the School District paid \$300 to the UPC. Financial information can be obtained from Don Rabe, Treasurer, Hamilton County Educational Service Center, at 11083 Hamilton Avenue, Cincinnati, Ohio, 45231.

NOTE 16 - PUBLIC ENTITY SHARED RISK AND INSURANCE PURCHASING POOL

Brown County Schools Benefits Consortium

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

**FAYETTEVILLE PERRY LOCAL SCHOOL DISTRICT
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 17 - INSURANCE PURCHASING POOL

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

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

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

NOTE 18 - 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 instructional materials and capital acquisition. Disclosure of this information is required by State statute.

	Textbooks and Instructional Materials	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2007	(\$576,977)	\$0
Current Fiscal Year Set-aside Requirement	154,856	154,856
Current Fiscal Year Offsets	0	(156,505)
Qualifying Disbursements	(131,008)	(156,536)
Totals	<u>(\$553,129)</u>	<u>(\$158,185)</u>
Set-aside Reserve Balance as of June 30, 2008	<u>\$0</u>	<u>\$0</u>
Required Set-aside Balances Carried Forward to FY 2009	<u>(\$553,129)</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 instructional materials and capital acquisition, only the amount for the textbooks and instructional materials set-aside may be used to reduce the set-aside requirement of future fiscal years. The capital acquisition negative amount is therefore not presented as being carried forward to the next fiscal year.

**FAYETTEVILLE PERRY LOCAL SCHOOL DISTRICT
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)**

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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

B. Litigation

The School District is not party to any legal proceedings.

NOTE 20 - CONSTRUCTION COMMITMENTS

The School District contracted for the addition to and remodeling of the current middle school building and construction of a new middle/high school building. The project began in the 2007 fiscal year and will be completed in fiscal year 2009. The significant outstanding construction commitments at June 30, 2008 are as follows:

<u>Contractor</u>	<u>Total Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at 6/30/2008</u>
Artic Heating and Air	\$2,496,000	\$699,919	\$1,796,081
Emerald Fire	293,536	79,098	214,438
Feldkamp Plumbing	818,000	319,045	498,955
Tricon Construction	9,256,900	2,084,589	7,172,311
Sunesis	1,547,904	1,544,725	3,179
United Electric	2,945,050	423,107	2,521,943
Total	<u>\$17,357,390</u>	<u>\$5,150,483</u>	<u>\$12,206,907</u>

**FAYETTEVILLE PERRY LOCAL SCHOOL DISTRICT
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 21 – SUBSEQUENT EVENTS

The School District contracted took action on August 21, 2008 and awarded the following contracts for the construction of the district office building:

General Construction - Grayback, LLC	\$	231,000
Plumbing - Mardis & Mechan Construction, Inc		19,500
HVAC - Mardis & Mechan Construction Inc		20,600
Electric - Luce Electric Co.		40,522

The School District took action on January 22, 2009 and awarded bids for furniture for the new school facilities:

Academic Furniture - Tom Sexton & Associates	\$	261,893
Office Furniture - Continental Office Furniture Corporation		124,035



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fayetteville-Perry Local School District, Brown County, Ohio (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 26, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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

We noted a certain matter that we reported to the District's management in a separate letter dated March 26, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-001 and 2008-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated.

We intend this report solely for the information and use of the audit committee, management and Board of Education. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

March 26, 2009

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

**SCHEDULE OF FINDINGS
JUNE 30, 2008**

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

FINDING NUMBER 2008-001

Material Noncompliance

Ohio Rev. Code, Section 5705.39, provides in part that the total appropriation from each fund shall not exceed the total estimated revenue available for expenditure there from as certified by the county budget commission. No appropriation measure shall become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. This certificate was received, however two funds, School net Professional Development and Title VI-B had original appropriations exceeding estimated resources by \$2,240 and \$11,381 respectively. Additionally, appropriations exceeded the total resources in the following funds at fiscal year end:

Fund	Estimated Resources	Permanent Appropriations	Favorable/ (Unfavorable)
Title VI-B	\$ 19,486	\$ 194,189	\$ (174,703)
Title I	44,914	71,303	(26,389)
Title VI	875	1,701	(826)
Improving Teacher Quality	3,694	37,090	(33,396)
Miscellaneous Federal Grant	76	442	(366)
Ohio School Facilities Commission Project	13,381,783	16,585,154	(3,203,371)

Failure to limit appropriations to total estimated resources may result in the District incurring obligations that exceed their available resources. We recommend that the District limit appropriations to total estimated resources per fund.

FINDING NUMBER 2008-002

Material Noncompliance

Ohio Rev. Code, Section 5705.36(A)(4), states that upon determination by the fiscal officer of a subdivision that the revenue to be collected will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

The District had amended certificate changes that were not provided to the budget commission for approval. Also, six of 22 funds had appropriations exceeding actual resources (i.e. beginning unencumbered fund balance plus actual receipts); however five of the six were federal grant funds which had cash requests submitted to be received after fiscal year end.

**FINDING NUMBER 2008-002
 (Continued)**

<u>Fund</u>	<u>Beginning Unencumbered Fund Balance</u>	<u>Actual Receipts</u>	<u>Total Available Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Title VI-B	\$ -	\$ 19,486	\$ 19,486	\$ 194,189	\$ (174,703)
Title I	-	44,914	44,914	71,303	(26,389)
Title VI-B	-	875	875	1,701	(826)
Improving Teacher Quality	-	3,694	3,694	37,090	(33,396)
Miscellaneous Federal Grant	-	75	75	442	(367)
Ohio School Facilities Commission	2,428,046	10,945,009	13,373,055	16,585,154	(3,212,099)

Failure to monitor actual results and amend appropriations and estimated resources accordingly may result in the District incurring obligations that exceed their available resources. We recommend that the District monitor their budgeted and actual resources and appropriations.

We did not receive a response from Officials to the findings reported above.



Mary Taylor, CPA
Auditor of State

FAYETTEVILLE-PERRY LOCAL SCHOOL DISTRICT
BROWN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 14, 2009