



**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2009



Mary Taylor, CPA
Auditor of State

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fayette Local School District, Fulton County, Ohio (the District), as of and for the year ended June 30, 2009, 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 Fayette Local School District, Fulton County, Ohio, as of June 30, 2009, 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 December 18, 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.

One Government Center / Suite 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

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

December 18, 2009

Fayette Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

The discussion and analysis of Fayette Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Highlights for fiscal year 2009 are as follows:

In total, net assets decreased \$1,973,385 or 11 percent from the prior fiscal year. Much of this decrease resulted from payment of the remaining liabilities related to construction as well as from furnishing and equipping the new school. In addition, the School District demolished both of the old school buildings.

General revenues accounted for 83 percent of total revenues and reflect the School District's significant dependence on property taxes and unrestricted state entitlements.

Using the Basic Financial Statements

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

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

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

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2009. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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

Fayette Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

Reporting the School District's Most Significant Funds

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

Governmental Funds - All of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

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

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2009 and fiscal year 2008.

Table 1
Net Assets

	Governmental Activities		
	2009	2008	Change
<u>Assets:</u>			
Current and Other Assets	\$5,756,813	\$8,198,304	(\$2,441,491)
Capital Assets, Net	17,468,668	17,775,446	(306,778)
Total Assets	23,225,481	25,973,750	(2,748,269)
<u>Liabilities:</u>			
Current and Other Liabilities	\$1,789,817	\$2,486,997	(\$697,180)
Long-Term Liabilities	5,327,995	5,405,699	(77,704)
Total Liabilities	7,117,812	7,892,696	(774,884)
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	12,447,416	12,646,405	(198,989)
Restricted	2,353,267	3,793,023	(1,439,756)
Unrestricted	1,306,986	1,641,626	(334,640)
Total Net Assets	\$16,107,669	\$18,081,054	(\$1,973,385)

Fayette Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

A review of the above table reflects a sizable decrease in current and other assets, generally the result of three factors. Cash and cash equivalents decreased over \$1.5 million as resources were spent in finalizing payments related to building construction which was completed in fiscal year 2008. In addition, the School District furnished and equipped the new building in fiscal year 2009; many of these acquisitions were not capitalized as costs fell below the School District's capitalization threshold. There was also a substantial decrease in the intergovernmental receivable. With the completion of construction, the School District has received the grant resources related to this project. Finally, with the expiration of two tax exemption agreements, the receivable for payment in lieu of taxes decreased.

The decrease in current and other liabilities is also related to paying the remaining liabilities related to the building construction as contracts and retainage payable amounts were paid.

The decrease in restricted net assets is the result of spending restricted resources for paying final construction costs from grant resources and the decrease in unrestricted net assets was affected by the expiration of exemption agreements.

Table 2 reflects the changes in net assets for fiscal year 2009 and fiscal year 2008.

Table 2
Change in Net Assets

	Governmental Activities 2009	Governmental Activities 2008	Change
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$274,898	\$279,868	(\$4,970)
Operating Grants, Contributions, and Interest	648,405	664,131	(15,726)
Capital Grants and Contributions	6,234	64,663	(58,429)
Total Program Revenues	<u>929,537</u>	<u>1,008,662</u>	<u>(79,125)</u>
General Revenues			
Property Taxes Levied for General Purposes	\$1,031,510	\$1,012,855	\$18,655
Property Taxes Levied for Debt Service	245,594	290,810	(45,216)
Property Taxes Levied for Maintenance	16,368	16,604	(236)
Income Taxes Levied for General Purposes	418,013	442,977	(24,964)
Grants and Entitlements	2,574,348	2,497,448	76,900
Interest	73,387	481,281	(407,894)
Gifts and Donations	1,577	677	900
Miscellaneous	135,364	111,337	24,027
Total General Revenues	<u>4,496,161</u>	<u>4,853,989</u>	<u>(357,828)</u>
Total Revenues	<u>5,425,698</u>	<u>5,862,651</u>	<u>(436,953)</u>
<u>Expenses</u>			
Instruction:			
Regular	3,836,416	2,442,475	(1,393,941)
Special	633,332	673,516	40,184
Vocational	113,607	88,659	(24,948)

(Continued)

Fayette Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

	Governmental Activities 2009	Governmental Activities 2008	Change
Support Services:			
Pupils	387,620	357,816	(29,804)
Instructional Staff	202,492	241,706	39,214
Board of Education	21,973	37,227	15,254
Administration	456,760	450,819	(5,941)
Fiscal	227,585	173,342	(54,243)
Operation and Maintenance of Plant	503,218	421,836	(81,382)
Pupil Transportation	240,092	233,806	(6,286)
Central	29,918	41,394	11,476
Non-Instructional Services	244,489	168,007	(76,482)
Extracurricular Activities	265,478	228,565	(36,913)
Interest and Fiscal Charges	236,103	564,336	328,233
Total Expenses	<u>7,399,083</u>	<u>6,123,504</u>	<u>(1,275,579)</u>
Decrease in Net Assets	(1,973,385)	(260,853)	(1,712,532)
Net Assets at Beginning of Year	18,081,054	18,341,907	(260,853)
Net Assets at End of Year	<u>\$16,107,669</u>	<u>\$18,081,054</u>	<u>(\$1,973,385)</u>

Total revenues decreased approximately 7 percent from the prior fiscal year. The most significant change is reflected in the decrease in interest revenues, the result of fewer resources invested (due to finalizing payments on construction) and the poor interest rates this past year.

Program revenues represented 17 percent of total revenues and primarily consist of restricted intergovernmental revenues, charges for tuition and fees and extracurricular activities, and food service sales.

Program expenses increased 21 percent from the prior fiscal year and is largely due to furnishing and equipping the new school. The major program expense for governmental activities continues to be for instruction, which accounted for 62 percent of all governmental expenses in fiscal year 2009 (this is significantly greater than in fiscal year 2008; however, a substantial portion of this increase is due to the acquisition of non-capitalized assets - furniture and equipment). Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for 11 percent of governmental expenses. Maintenance of the School District's facilities also represents a significant expense, at 7 percent. Therefore, 80 percent of the School District's expenses are related directly to providing facilities and delivering education.

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

Fayette Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2009	2008	2009	2008
Instruction:				
Regular	\$3,836,416	\$2,442,475	\$3,549,758	\$2,066,699
Special	633,332	673,516	260,322	289,407
Vocational	113,607	88,659	90,786	77,342
Support Services:				
Pupils	387,620	357,816	387,620	357,816
Instructional Staff	202,492	241,706	202,492	241,706
Board of Education	21,973	37,227	21,973	37,227
Administration	456,760	450,819	456,760	450,819
Fiscal	227,585	173,342	227,585	173,342
Operation and Maintenance of Plant	503,218	421,836	501,918	408,686
Pupil Transportation	240,092	233,806	235,158	212,293
Central	29,918	41,394	15,918	27,394
Non-Instructional Services	244,489	168,007	60,673	19,795
Extracurricular Activities	265,478	228,565	222,480	187,980
Interest and Fiscal Charges	236,103	564,336	236,103	564,336
Total Expenses	<u>\$7,399,083</u>	<u>\$6,123,504</u>	<u>\$6,469,546</u>	<u>\$5,114,842</u>

Fayette Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

The above table demonstrates that both the total cost and net cost of services remained fairly comparable to the prior fiscal year and that the School District's dependence on tax revenues and unrestricted State entitlements is considerable with 87 percent of program costs paid from these revenue sources. Almost 70 percent of instruction activities are supported through taxes and other general revenues. Several programs, however, receive substantial support through program revenues. Approximately 59 percent of special instruction costs are provided for through programs revenues. This is the result of various grants restricted for special instruction purposes. Over 75 percent of the non-instructional services costs were covered by program revenues. This is primarily due to cafeteria sales, state and federal subsidies, and donated commodities for food service operations. Approximately 16 percent of extracurricular activities expenses are covered by program revenues. These program revenues are the result of music and athletic fees, ticket sales, and gate receipts at musical and athletic events.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. For the General Fund, fund balance decreased \$284,876 or almost 18 percent from the prior fiscal year. This was due, in part, to the loss of resources the School District had been receiving from two exemption agreements (payment in lieu of taxes) as well as the fact that expenditures exceeded revenues for the fiscal year. A decrease of \$760,966 or 36 percent in fund balance occurred in Ohio School Facilities Commission capital projects fund due to finalizing construction payments on the new school building.

General Fund Budgeting Highlights

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

During fiscal year 2009, the School District amended its General Fund budget as needed. For revenues, changes from the original budget to the final budget as well as changes from the final budget to actual revenues were not significant.

For expenditures, changes from the original budget to the final budget were not significant; however, actual expenditures were over 15 percent less than budgeted amounts based on a conservative budgeting approach.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2009, the School District had \$17,468,668 invested in capital assets (net of accumulated depreciation). Major acquisitions consisted of furnishings and equipment for the new building. Disposals included demolition of the old school buildings as well as disposing of most of the furniture and equipment associated with those buildings. For further information regarding the School District's capital assets, refer to Note 11 to the basic financial statements.

Debt

The School District's outstanding debt at fiscal year end consisted of general obligation bonds, in the amount of \$5,159,597. The School District's long-term obligations also include compensated absences. For further information regarding the School District's long-term obligations, refer to Note 17 to the basic financial statements.

Fayette Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

Current Issues

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

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

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Kelly Bentley, Treasurer, Fayette Local School District, 400 East Gamble Road, P.O. Box 309, Fayette, Ohio 43521-0309.

Fayette Local School District
Statement of Net Assets
June 30, 2009

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$3,665,335
Cash and Cash Equivalents with Escrow Agent	16,330
Accounts Receivable	26,839
Accrued Interest Receivable	9,736
Intergovernmental Receivable	269,082
Prepaid Items	17,769
Inventory Held for Resale	3,862
Materials and Supplies Inventory	1,095
Income Taxes Receivable	178,462
Property Taxes Receivable	1,307,452
Payment in Lieu of Taxes Receivable	167,104
Unamortized Issuance Costs	93,747
Nondepreciable Capital Assets	321,608
Depreciable Capital Assets, Net	<u>17,147,060</u>
Total Assets	<u>23,225,481</u>
 <u>Liabilities:</u>	
Accounts Payable	60,878
Contracts Payable	370
Accrued Wages and Benefits Payable	388,290
Intergovernmental Payable	129,298
Retainage Payable	20,893
Deferred Revenue	1,173,733
Accrued Interest Payable	16,355
Long-Term Liabilities:	
Due Within One Year	125,238
Due in More Than One Year	<u>5,202,757</u>
Total Liabilities	<u>7,117,812</u>
 <u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	12,447,416
Restricted For:	
Debt Service	162,035
Capital Projects	2,027,721
Other Purposes	163,511
Unrestricted	<u>1,306,986</u>
Total Net Assets	<u><u>\$16,107,669</u></u>

See Accompanying Notes to the Basic Financial Statements

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Fayette Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2009

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$3,836,416	\$114,057	\$172,601	
Special	633,332	19,868	353,142	
Vocational	113,607		22,821	
Support Services:				
Pupils	387,620			
Instructional Staff	202,492			
Board of Education	21,973			
Administration	456,760			
Fiscal	227,585			
Operation and Maintenance of Plant	503,218			\$1,300
Pupil Transportation	240,092			4,934
Central	29,918		14,000	
Non-Instructional Services	244,489	98,525	85,291	
Extracurricular Activities	265,478	42,448	550	
Interest and Fiscal Charges	236,103			
Total Governmental Activities	<u>\$7,399,083</u>	<u>\$274,898</u>	<u>\$648,405</u>	<u>\$6,234</u>

General Revenues:

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

Change in Net Assets

Net Assets at Beginning of Year
Net Assets at End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense)
Revenue and Change
in Net Assets

Governmental
Activities

(\$3,549,758)
(260,322)
(90,786)

(387,620)
(202,492)
(21,973)
(456,760)
(227,585)
(501,918)
(235,158)
(15,918)
(60,673)
(222,480)
(236,103)

(6,469,546)

1,031,510
245,594
16,368
418,013
2,574,348
73,387
1,577
135,364

4,496,161

(1,973,385)

18,081,054

\$16,107,669

**Fayette Local School District
Balance Sheet
Governmental Funds
June 30, 2009**

	General	Bond Retirement	Ohio School Facilities Commission	Other Governmental	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$1,553,593	\$151,287	\$1,332,920	\$614,191	\$3,651,991
Accounts Receivable	26,839				26,839
Accrued Interest Receivable	6,312		3,150	274	9,736
Interfund Receivable	8,517				8,517
Intergovernmental Receivable			245,325	23,757	269,082
Prepaid Items	17,769				17,769
Inventory Held for Resale				3,862	3,862
Materials and Supplies Inventory				1,095	1,095
<u>Restricted Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	13,344				13,344
Cash and Cash Equivalents with Escrow Agent			15,669	661	16,330
Income Taxes Receivable	178,462				178,462
Property Taxes Receivable	1,034,896	256,233		16,323	1,307,452
Payments in Lieu of Taxes Receivable	167,104				167,104
Total Assets	<u>\$3,006,836</u>	<u>\$407,520</u>	<u>\$1,597,064</u>	<u>\$660,163</u>	<u>\$5,671,583</u>
<u>Liabilities and Fund Balances:</u>					
<u>Liabilities</u>					
Accounts Payable	\$52,939			\$7,939	\$60,878
Contracts Payable			\$340	30	370
Accrued Wages and Benefits Payable	364,589			23,701	388,290
Interfund Payable				8,517	8,517
Intergovernmental Payable	122,110			7,188	129,298
Retainage Payable			4,260	303	4,563
<u>Liabilities Payable from Restricted Assets:</u>					
Retainage Payable			15,669	661	16,330
Deferred Revenue	1,152,529	\$235,821	248,475	16,818	1,653,643
Total Liabilities	<u>1,692,167</u>	<u>235,821</u>	<u>268,744</u>	<u>65,157</u>	<u>2,261,889</u>
<u>Fund Balances:</u>					
Reserved for Property Taxes	79,015	20,412		1,318	100,745
Reserved for Bus Purchase	13,344				13,344
Reserved for Encumbrances	29,488		65,565	39,951	135,004
<u>Unreserved, Reported in:</u>					
General Fund	1,192,822				1,192,822
Special Revenue Funds				141,843	141,843
Debt Service Fund		151,287			151,287
Capital Projects Funds			1,262,755	411,894	1,674,649
Total Fund Balances	<u>1,314,669</u>	<u>171,699</u>	<u>1,328,320</u>	<u>595,006</u>	<u>3,409,694</u>
Total Liabilities and Fund Balances	<u>\$3,006,836</u>	<u>\$407,520</u>	<u>\$1,597,064</u>	<u>\$660,163</u>	<u>\$5,671,583</u>

See Accompanying Notes to the Basic Financial Statements

Fayette Local School District
Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2009

Total Governmental Fund Balances	\$3,409,694
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Amounts reported for governmental activities on the statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	17,468,668
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:

Accounts Receivable	7,098	
Accrued Interest Receivable	3,424	
Intergovernmental Receivable	246,864	
Income Taxes Receivable	22,446	
Property Taxes Receivable	32,974	
Payment in Lieu of Taxes Receivable	167,104	479,910

Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.	93,747
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Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Accrued Interest Payable	(16,355)	
General Obligation Bonds Payable	(5,159,597)	
Compensated Absences Payable	(168,398)	(5,344,350)

Net Assets of Governmental Activities	\$16,107,669
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See Accompanying Notes to the Basic Financial Statements

Gorham Fayette Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2009

	General	Bond Retirement	Ohio School Facilities Commission	Other Governmental	Total Governmental Funds
Revenues:					
Property Taxes	\$1,046,775	\$248,319		\$16,597	\$1,311,691
Income Taxes	425,495				425,495
Intergovernmental	2,704,978	86,302	\$518,976	454,489	3,764,745
Interest	28,945		44,429	15,582	88,956
Tuition and Fees	134,740				134,740
Extracurricular Activities				42,998	42,998
Charges for Services				98,525	98,525
Gifts and Donations	1,000			1,877	2,877
Miscellaneous	104,554			30,865	135,419
Total Revenues	4,446,487	334,621	563,405	660,933	6,005,446
Expenditures:					
Current:					
Instruction:					
Regular	2,207,528			123,180	2,330,708
Special	460,153			141,196	601,349
Vocational	101,755				101,755
Support Services:					
Pupils	329,330			54,708	384,038
Instructional Staff	179,708			10,430	190,138
Board of Education	21,973				21,973
Administration	409,965			21,997	431,962
Fiscal	206,339	6,482	5,717	4,449	222,987
Operation and Maintenance of Plant	443,277			14,364	457,641
Pupil Transportation	194,523			5,663	200,186
Central	13,399			16,519	29,918
Non-Instructional Services	6,000			197,759	203,759
Extracurricular Activities	132,665			41,346	174,011
Capital Outlay	28,226		1,318,654	168,163	1,515,043
Debt Service:					
Principal Retirement		110,000			110,000
Interest and Fiscal Charges		218,575			218,575
Total Expenditures	4,734,841	335,057	1,324,371	799,774	7,194,043
Excess of Revenues Under Expenditures	(288,354)	(436)	(760,966)	(138,841)	(1,188,597)
Other Financing Sources (Uses)					
Sale of Capital Assets	25,901				25,901
Transfers In				22,423	22,423
Transfers Out	(22,423)				(22,423)
Total Other Financing Sources (Uses)	3,478			22,423	25,901
Changes in Fund Balances	(284,876)	(436)	(760,966)	(116,418)	(1,162,696)
Fund Balances at Beginning of Year	1,599,545	172,135	2,089,286	711,424	4,572,390
Fund Balances at End of Year	<u>\$1,314,669</u>	<u>\$171,699</u>	<u>\$1,328,320</u>	<u>\$595,006</u>	<u>\$3,409,694</u>

See Accompanying Notes to the Basic Financial Statements

Fayette Local School District
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement of Activities
For the Fiscal Year Ended June 30, 2009

Changes in Fund Balances - Total Governmental Funds (\$1,162,696)

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

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

Capital Outlays	687,944	
Depreciation	<u>(403,878)</u>	
		284,066

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a loss on disposal of capital assets on the statement of activities.

Sale of Capital Assets	(25,901)	
Loss on Disposal of Capital Assets	<u>(564,943)</u>	
		(590,844)

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

Property Taxes	(18,219)	
Income Taxes	(7,482)	
Intergovernmental	(537,656)	
Interest	(15,521)	
Tuition and Fees	<u>(870)</u>	
		(579,748)

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

110,000

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

Accrued Interest Payable	344	
Annual Accretion on Capital Appreciation Bonds	<u>(15,661)</u>	
		(15,317)

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

(2,211)

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

(16,635)

Change in Net Assets of Governmental Activities (\$1,973,385)

See Accompanying Notes to the Basic Financial Statements

Fayette Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Property Taxes	\$1,023,599	\$1,023,599	\$1,033,423	\$9,824
Income Taxes	393,786	393,786	433,267	39,481
Payment in Lieu of Taxes	210,000	120,000	119,336	(664)
Intergovernmental	2,572,636	2,572,636	2,704,978	132,342
Interest	53,000	53,000	23,817	(29,183)
Tuition and Fees	135,000	135,000	134,595	(405)
Gifts and Donations	0	1,000	1,000	
Miscellaneous	67,250	107,327	105,108	(2,219)
Total Revenues	4,455,271	4,406,348	4,555,524	149,176
Expenditures:				
Current:				
Instruction:				
Regular	2,586,600	2,573,600	2,159,491	414,109
Special	572,784	572,784	455,084	117,700
Vocational	118,624	118,624	99,065	19,559
Support Services:				
Pupils	332,509	333,709	320,520	13,189
Instructional Staff	213,384	225,385	198,434	26,951
Board of Education	78,773	80,474	20,527	59,947
Administration	444,278	442,678	407,150	35,528
Fiscal	223,139	223,089	210,756	12,333
Operation and Maintenance of Plant	500,596	500,596	416,873	83,723
Pupil Transportation	223,689	223,689	195,472	28,217
Central	41,200	42,650	13,389	29,261
Non-Instructional Services	2,300	2,300	6,000	(3,700)
Extracurricular Activities	127,776	134,276	133,940	336
Capital Outlay	64,083	64,083	42,299	21,784
Total Expenditures	5,529,735	5,537,937	4,679,000	858,937
Excess of Revenues				
Under Expenditures	(1,074,464)	(1,131,589)	(123,476)	1,008,113
Other Financing Sources (Uses):				
Sale of Capital Assets			6,407	6,407
Advances In	50,000	50,000	23,390	(26,610)
Advance Out	(50,000)	(50,000)	(8,517)	41,483
Transfers Out			(22,423)	(22,423)
Total Other Financing Sources (Uses)			(1,143)	(1,143)
Changes in Fund Balance	(1,074,464)	(1,131,589)	(124,619)	1,006,970
Fund Balance at Beginning of Year	1,528,633	1,528,633	1,528,633	
Prior Year Encumbrances Appropriated	125,876	125,876	125,876	
Fund Balance at End of Year	\$580,045	\$522,920	\$1,529,890	\$1,006,970

See Accompanying Notes to the Basic Financial Statements

**Fayette Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009**

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$15,802	\$26,703
Accrued Interest Receivable	28	
Total Assets	15,830	26,703
<u>Liabilities:</u>		
Due to Students		\$26,703
<u>Net Assets:</u>		
Held in Trust for Scholarships	\$15,830	

See Accompanying Notes to the Basic Financial Statements

Fayette Local School District
Statement of Change in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2009

Additions:

Interest	\$411
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Deductions:

Non-Instructional Services	832
	<hr/>

Change in Net Assets	(421)
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Net Assets at Beginning of Year	16,251
	<hr/>

Net Assets at End of Year	\$15,830
	<hr/> <hr/>

See Accompanying Notes to the Basic Financial Statements

**Fayette Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 1 - Description of the School District and Reporting Entity

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

The School District is the 602nd largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by sixteen classified employees, forty-one certified teaching personnel, and eight administrative employees who provide services to four hundred thirty-eight students and other community members.

Reporting Entity

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

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

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

Note 2 - Summary of Significant Accounting Policies

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

**Fayette Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

The School District's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

Fayette Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

Ohio School Facilities Commission Fund - The Ohio School Facilities Commission Fund accounts for grant resources for the construction of the new school.

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

Fiduciary Funds

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

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

The private purpose trust fund is accounted for using a flow of economic resources measurement focus.

Fayette Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 2 - Summary of Significant Accounting Policies (continued)

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

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

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

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

Deferred Revenues

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

Property taxes for which there was an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

**Fayette Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 2 - Summary of Significant Accounting Policies (continued)

E. Budgetary Process

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

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

The appropriations resolution is subject to amendment throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

F. Cash and Investments

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

Cash and cash equivalents that are held separately for the School District by escrow agents for the payment of retainage to contractors upon project completion are recorded as "Cash and Cash Equivalents with Escrow Agent".

During fiscal year 2009, investments included nonnegotiable certificates of deposit, repurchase agreements, federal agency securities, mutual funds, and STAR Ohio. Nonnegotiable certificates of deposit and repurchase agreements are reported at cost. Federal agency securities and mutual funds are reported at fair value, which is based on quoted market price or current share price. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2009.

The Board of Education allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year 2009 was \$28,945, which includes \$4,674 assigned from other School District funds.

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Fayette Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 2 - Summary of Significant Accounting Policies (continued)

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2009, 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 year in which services are consumed.

H. Inventory

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

I. 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, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent unexpended revenues restricted for the purchase of school buses. Resources set aside in separate escrow accounts whose use is limited to the payment of retainage to contractors are also reported as restricted.

J. Unamortized Issuance Costs

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

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

K. Capital Assets

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

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of one thousand dollars. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

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

Fayette Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 2 - Summary of Significant Accounting Policies (continued)

L. Interfund Assets/Liabilities

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

M. Compensated Absences

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

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

N. Accrued Liabilities and Long-Term Obligations

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

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

O. Net Assets

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

The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**Fayette Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 2 - Summary of Significant Accounting Policies (continued)

P. Fund Balance Reserves

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

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

Q. Interfund Transactions

Transfers within governmental activities are eliminated on the government-wide financial statements.

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

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

R. Estimates

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

Note 3 - Changes in Accounting Principles

For fiscal year 2009, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

GASB Statement No. 49 establishes accounting and financial reporting requirements for pollution remediation obligations by requiring more timely and complete reporting of the obligations and by requiring all governments to account for pollution remediation obligations in the same manner. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any changes to the financial statements.

**Fayette Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 3 - Changes in Accounting Principles (Continued)

GASB Statement No. 52 establishes consistent standards for reporting land and other real estate held as investments. It requires endowments to report land and other real estate investments at fair value, to report the changes in fair value as investment income, and to disclose the methods and significant assumptions used to determine fair value. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB authoritative literature. The GAAP hierarchy consists of the sources of accounting principles used in the preparation of financial statements and the framework for selecting those principles. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants' (AICPA) auditing literature into the GASB's accounting and financial reporting literature. This guidance addresses related party transactions, going concern considerations, and subsequent events from the AICPA literature. The implementation of this statement did not result in any changes to the financial statements.

Note 4 - Accountability and Compliance

A. Accountability

At June 30, 2009, the Title I, Drug Free, and Miscellaneous Federal Grants special revenue funds had deficit fund balances, in the amount of \$5,100, \$212, and \$362, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Compliance

The District Managed Student Activity, Title VI-B, Title I, and Preschool Disabilities special revenue funds had appropriations in excess of estimated resources plus available balances for the fiscal year ended June 30, 2009, in the amount of \$5,008, \$82,272, \$49, and \$7,119, respectively.

The Food Service and Poverty Aid special revenue funds had expenditures in excess of appropriations for the fiscal year ended June 30, 2009, in the amount of \$419 and \$133, respectively.

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

Note 5 - Budgetary Basis of Accounting

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

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

**Fayette Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 5 - Budgetary Basis of Accounting (continued)

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

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

Changes in Fund Balance	
GAAP Basis	(\$284,876)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2008, Received in Cash FY 2009	350,627
Accrued FY 2009, Not Yet Received in Cash	(261,084)
Expenditure Accruals:	
Accrued FY 2008, Paid in Cash FY 2009	(431,653)
Accrued FY 2009, Not Yet Paid in Cash	539,638
Unrecorded Cash Activity FY 2009	(200)
Prepaid Items	(15,097)
Advances In	23,390
Advances Out	(8,517)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(36,847)
Budget Basis	(\$124,619)

Note 6 - Deposits and Investments

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

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

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

**Fayette Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 6 - Deposits and Investments (continued)

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

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

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

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

Investments

As of June 30, 2009, the School District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Repurchase Agreements	\$89,350	7/1/09
Federal National Mortgage Association Notes	249,975	8/7/09
Federal Home Loan Banks Notes	511,405	4/23/12
Mutual Funds	178,646	average 49 days
Mutual Funds	937,685	average 57 days
STAR Ohio	99,943	average 58.1 days
	<u>\$2,067,004</u>	

**Fayette Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 6 - Deposits and Investments (continued)

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

The securities underlying the repurchase agreement (Federal National Mortgage Association Notes) and the Federal National Mortgage Association Notes, the Federal Home Loan Banks Notes, and the mutual funds carry a rating of Aaa by Moody's. STAR Ohio carries a rating of AAA by Standards and Poor's. The School District has no policy regarding credit risk beyond the requirements of State statute.

Repurchase agreements are limited to investments listed in items 1 and 2 on page 32. Ohio law requires that mutual funds must be rated, at the time of purchase, in the highest category by at least one nationally recognized standard rating service. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The repurchase agreements are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name. The School District has no investment policy dealing with custodial credit risk beyond the requirements of the State statute.

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

	Fair Value	Percentage of Portfolio
Repurchase Agreements	\$89,350	4.32%
Federal National Mortgage Association Notes	249,975	12.09
Federal Home Loan Banks Notes	511,405	24.74

Note 7 - Receivables

Receivables at June 30, 2009, consisted of accounts (student fees and billings for user charged services), accrued interest, interfund, intergovernmental, income taxes, property taxes, and payment in lieu of taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except income taxes, property taxes, and payment in lieu of taxes, are expected to be collected within one year. Income taxes and property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. Payment in lieu of taxes, in the amount of \$117,087, will not be received within one year.

**Fayette Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 7 – Receivables (Continued)

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Ohio School Facilities Commission Fund	
Ohio School Facilities Commission	\$245,325
Other Governmental Funds	
Preschool	13,295
Title I	3,513
Drug Free	1,208
Miscellaneous Federal Grants	5,741
Total Other Governmental Funds	23,757
Total Intergovernmental Receivables	\$269,082

Note 8 - Income Taxes

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

Note 9 - Property Taxes

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**Fayette Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 9 - Property Taxes (continued)

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Fulton County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents the real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2009, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations and are reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2009, was \$79,015 in the General Fund, \$20,412 in the Bond Retirement debt service fund, and \$1,318 in the Maintenance special revenue fund. The amount available as an advance at June 30, 2008, was \$64,950 in the General Fund, \$15,672 in the Bond Retirement debt service fund, and \$1,100 in the Maintenance special revenue fund.

The late settlement made by the County for fiscal year 2008 was \$713 in the General Fund, \$106 in the Bond Retirement debt service fund, and \$8 in the Maintenance special revenue fund.

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

The assessed values upon which fiscal year 2009 taxes were collected are:

	2008 Second- Half Collections		2009 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$30,700,740	81.73%	\$33,583,590	84.88%
Industrial/Commercial	4,083,000	10.87	4,153,860	10.50
Public Utility	2,020,600	5.38	1,829,210	4.62
Tangible Personal	759,130	2.02		
Total Assessed Value	<u>\$37,563,470</u>	<u>100.00%</u>	<u>\$39,566,660</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$55.30		\$55.30	

Fayette Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 10 - Payment in Lieu of Taxes

According to State law, the Village of Fayette has entered into agreements with a number of property owners under which the Village of Fayette has granted property tax exemptions to those property owners. The property owners have agreed to make payments which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been exempted. The agreements provide for a portion of these payments to be made to the School District. The agreements are for a ten year period. The property owner's contractually promise to make these payments in lieu of taxes until the agreement expires.

Note 11 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance at 6/30/08	Additions	Reductions	Balance at 6/30/09
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$367,008		(\$45,400)	\$321,608
Depreciable Capital Assets				
Land Improvements	87,884		(54,356)	33,528
Buildings and Building Improvements	21,007,825	\$93,266	(4,396,153)	16,704,938
Furniture, Fixtures, and Equipment	762,244	594,678	(645,184)	711,738
Vehicles	492,604		(72,282)	420,322
Total Depreciable Capital Assets	22,350,557	687,944	(5,167,975)	17,870,526
Less Accumulated Depreciation				
Land Improvements	(\$69,464)	(\$1,965)	\$39,375	(\$32,054)
Buildings and Building Improvements	(4,058,823)	(345,403)	4,041,092	(363,134)
Furniture, Fixtures, and Equipment	(576,357)	(30,472)	487,027	(119,802)
Vehicles	(237,475)	(26,038)	55,037	(208,476)
Total Accumulated Depreciation	(4,942,119)	(403,878)	4,622,531	(723,466)
Depreciable Capital Assets, Net	17,408,438	284,066	(545,444)	17,147,060
Governmental Activities Capital Assets, Net	\$17,775,446	\$284,066	(\$590,844)	\$17,468,668

**Fayette Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 11 - Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$222,109
Special	26,664
Vocational	12,339
Support Services:	
Pupils	2,659
Instructional Staff	14,293
Administration	13,277
Fiscal	665
Operation and Maintenance of Plant	13,124
Pupil Transportation	26,321
Non-Instructional Services	37,702
Extracurricular Activities	34,725
Total Depreciation Expense	<u><u>\$403,878</u></u>

Note 12 - Interfund Assets/Liabilities

At June 30, 2009, the General Fund had an interfund receivable, in the amount of \$8,517, from other governmental funds for short-term loans made to those funds.

Note 13 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2009, the School District contracted for the following insurance coverage.

Coverage provided by Ohio School Plan is as follows:

General Liability	
Per Occurrence	\$1,000,000
General Aggregate	3,000,000
Building and Contents	13,166,045
Vehicle Liability	1,000,000
Uninsured Motorists	1,000,000

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

For fiscal year 2009, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

**Fayette Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 13 - Risk Management (Continued)

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

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

Note 14 - Defined Benefit Pension Plans

A. State Teachers Retirement System

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

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

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

Fayette Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 14 - Defined Benefit Pension Plans (continued)

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 was \$280,150, \$285,476, and \$269,404, respectively; 81 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DCP and CP for fiscal year 2009 were \$5,258 made by the plan members.

B. School Employees Retirement System

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

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007 was \$49,973, \$47,316, and \$46,877, respectively; 42 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2009, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages.

**Fayette Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 15 - Postemployment Benefits

A. State Teachers Retirement System

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contribution for health care for the fiscal years ended June 30, 2009, 2008, and 2007 was \$21,550, \$21,961, and \$21,004, respectively; 81 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. School Employees Retirement System

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2009, the surcharge amount was \$10,995.

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

The School District's contribution for health care for the fiscal years ended June 30, 2009, 2008, and 2007 was \$22,870, \$21,592, and \$15,563, respectively; 42 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**Fayette Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 15 - Postemployment Benefits (Continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2009, this actuarially required allocation was .75 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 was \$4,123, \$3,409, and \$3,188, respectively; 42 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

Note 16 - Other Employee Benefits

A. Compensated Absences

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

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

B. Health Care Benefits

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

Note 17 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2009 were as follows:

	<u>Balance at 6/30/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/09</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
General Obligation Bonds					
FY2006 School Improvement Refunding Bonds					
Serial Bonds 4-4.5%	\$450,000			\$450,000	
FY2006 General Obligation Bonds					
Serial Bonds 3.75-4%	735,000		\$110,000	625,000	\$115,000
Term Bonds 4-4.55%	3,950,000			3,950,000	
Capital Appreciation Bonds 12.76%	89,999			89,999	
Accretion of Capital Appreciation Bonds	28,937	\$15,661		44,598	
Total General Obligation Bonds	5,253,936	15,661	110,000	5,159,597	115,000
Compensated Absences Payable	151,763	16,635		168,398	10,238
Total Governmental Activities Long-Term Obligations	<u>\$5,405,699</u>	<u>\$32,296</u>	<u>\$110,000</u>	<u>\$5,327,995</u>	<u>\$125,238</u>

Fayette Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 17 - Long-Term Obligations (Continued)

FY 2006 School Improvement Refunding Bonds - On July 13, 2005, the School District issued \$1,475,000 in general obligation bonds to partially refund bonds previously issued in fiscal year 1998 for renovating, repairing, and improving existing school buildings. The bonds were issued for an eighteen year period, with final maturity during fiscal year 2024. The bonds will be retired through the Bond Retirement debt service fund. During fiscal year 2008, the School District defeased a portion of these bonds. In a prior fiscal year, the School District received a significant settlement from a lawsuit. During fiscal year 2008, the School District decided to use these monies to defease \$1,025,000 of the outstanding bonds. These monies were deposited in an irrevocable trust with an escrow agent and used to purchase United States Government Securities to provide for the future debt service payments on the bonds. As of June 30, 2009, \$1,025,000 of the refunded bonds was still outstanding.

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

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

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

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

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

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

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

Fayette Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 17 - Long-Term Obligations (Continued)

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

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

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

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2015 and 2016. The maturity amount of the bonds is \$280,000. For fiscal year 2009, \$15,661 was accreted for a total bond value of \$134,597 at fiscal year end.

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

The School District's overall debt margin was \$3,570,713 with an unvoted debt margin of \$37,767 at June 30, 2009.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2009, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds		Capital Appreciation	Interest	Total
	Serial	Term			
2010	\$115,000			\$194,106	\$309,106
2011	120,000			189,700	309,700
2012	125,000			185,106	310,106
2013	130,000			180,162	310,162
2014	135,000			174,862	309,862
2015-2019		\$435,000	\$89,999	1,025,111	1,550,110
2020-2024	450,000	850,000		721,677	2,021,677
2025-2029		1,055,000		488,986	1,543,986
2030-2034		1,310,000		222,497	1,532,497
2035		300,000		6,825	306,825
Total	\$1,075,000	\$3,950,000	\$89,999	\$3,389,032	\$8,504,031

Note 18 - Set Asides

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

**Fayette Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 18 - Set Asides (Continued)

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2009.

	Textbooks	Capital Improvements
Balance June 30, 2008	(\$125,759)	
Current Year Set Aside Requirement	68,066	\$68,066
Current Year Offsets		\$(68,066)
Qualifying Expenditures	(145,731)	
Balance June 30, 2009	(\$203,424)	

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

Note 19 - Interfund Transfers

During fiscal year 2009, the General Fund transferred \$22,423 to other governmental funds to subsidize operations of those funds.

Note 20 - Jointly Governed Organizations

A. Northwest Ohio Computer Association

The School District is a participant in the Northwest Ohio Computer Association (NWOCA), which is a computer consortium. NWOCA is an association of educational entities within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities.

The NWOCA Assembly consists of the superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the Governing Council of two representatives from each of the six counties in which member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Governing Council. During fiscal year 2009, the School District paid \$11,787 to NWOCA for various services. Financial information can be obtained from the Northwest Ohio Computer Association, 22-900 State Route 34, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among educational entities located in Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected board consisting of two representatives from each of the six counties in which the member educational entities are located. The Board is elected from an assembly consisting of a representative from each participating educational entity. Financial information can be obtained from the Northern Buckeye Education Council, 22-900 State Route 34, Archbold, Ohio 43502.

**Fayette Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 20 - Jointly Governed Organizations (Continued)

C. Four County Career Center

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

D. Northwestern Ohio Educational Research Council, Inc.

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

Note 21 - Insurance Pools

A. Ohio School Plan

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

B. Northern Buckeye Education Council Employee Insurance Benefits Program

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

**Fayette Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009**

Note 21 - Insurance Pools (Continued)

C. Northern Buckeye Education Council Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (Plan) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The Plan is governed by the NBEC and the participants of the Plan. The Executive Director of the NBEC coordinates the management and administration of the Plan. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

Note 22 - Related Organization

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

Note 23 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2009.

B. Litigation

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

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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**

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fayette Local School District, Fulton County, (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 18, 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 opinion 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 December 18, 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance matters that we reported to the District's management in a separate letter dated December 18, 2009.

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

December 18, 2009

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Significant Deficiency – Financial Reporting: An error required adjustment to the financial statements	Yes	

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on December 17, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 1. A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 2. A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 3. A procedure for reporting prohibited incidents;
 4. A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 5. A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C.1232q, as amended, have access to any written reports pertaining to the prohibited incident;

6. A procedure for documenting any prohibited incident that is reported;
7. A procedure for responding to and investigating any reported incident;
8. A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
9. A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
10. A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat.571, 20 U.S.C. 1232q, as amended.

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

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



Mary Taylor, CPA
Auditor of State

December 18, 2009



Mary Taylor, CPA
Auditor of State

FAYETTE LOCAL SCHOOL DISTRICT

FULTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 5, 2010**