



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

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2002



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

FAYETTEVILLE-PERRY LOCAL SCHOOL DISTRICT
BROWN COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Fayetteville-Perry Local School District
Brown County
P.O. Box 281
501 South Apple Street
Fayetteville, Ohio 45118

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Fayetteville-Perry Local School District, Brown County, Ohio (the District), as of and for the fiscal year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type for the fiscal 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 16, 2002, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

December 16, 2002

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Fayetteville - Perry Local School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$1,344,036	\$112,132	\$380,637	\$131,449
Receivables:				
Taxes	1,173,800	30,465	150,880	57,141
Accounts	515	798	0	0
Intergovernmental	11,252	6,138	0	0
Prepaid Items	2,878	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	0	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	19,291	0	0	0
Fixed Assets (Net, Where Applicable, of Accumulated Depreciation)	0	0	0	0
<u>Other Debits:</u>				
Amount Available in Debt Service Fund for the Retirement of General Obligations	0	0	0	0
Amount to be Provided from General Government Resources for Retirement of General Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	<u>\$2,551,772</u>	<u>\$149,533</u>	<u>\$531,517</u>	<u>\$188,590</u>

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$100,307	\$39,202	\$0	\$0	\$2,107,763
0	0	0	0	1,412,286
273	0	0	0	1,586
0	0	0	0	17,390
0	0	0	0	2,878
6,420	0	0	0	6,420
1,193	0	0	0	1,193
0	0	0	0	19,291
160,971	0	16,366,697	0	16,527,668
0	0	0	425,208	425,208
0	0	0	2,540,451	2,540,451
<u>\$269,164</u>	<u>\$39,202</u>	<u>\$16,366,697</u>	<u>\$2,965,659</u>	<u>\$23,062,134</u>

(continued)

Fayetteville - Perry Local School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2002
(Continued)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Liabilities:</u>				
<u>Fund Equity and Other Credits:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$5,794	\$26,592	\$0	\$0
Accrued Wages and Benefits	506,622	2,950	0	0
Compensated Absences Payable	34,824	0	0	0
Intergovernmental Payable	86,755	340	0	0
Deferred Revenue	1,004,691	32,475	106,309	48,842
Undistributed Monies	0	0	0	0
Energy Conservation Loan Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
	<u>1,638,686</u>	<u>62,357</u>	<u>106,309</u>	<u>48,842</u>
Total Liabilities				
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	247,869	20,969	0	42,601
Reserved for Property Taxes	169,109	4,128	44,571	8,299
Reserved for School Bus Purchases	19,291	0	0	0
Unreserved:				
Undesignated	476,817	62,079	380,637	88,848
	<u>913,086</u>	<u>87,176</u>	<u>425,208</u>	<u>139,748</u>
Total Fund Equity and Other Credits				
Total Liabilities, Fund Equity and Other Credits	<u>\$2,551,772</u>	<u>\$149,533</u>	<u>\$531,517</u>	<u>\$188,590</u>

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$93	\$0	\$0	\$0	\$32,479
17,188	0	0	0	526,760
0	0	0	203,411	238,235
11,456	0	0	42,063	140,614
0	0	0	0	1,192,317
0	39,202	0	0	39,202
0	0	0	45,350	45,350
0	0	0	2,674,835	2,674,835
<u>28,737</u>	<u>39,202</u>	<u>0</u>	<u>2,965,659</u>	<u>4,889,792</u>
0	0	16,366,697	0	16,366,697
182,953	0	0	0	182,953
57,474	0	0	0	57,474
0	0	0	0	311,439
0	0	0	0	226,107
0	0	0	0	19,291
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,008,381</u>
<u>240,427</u>	<u>0</u>	<u>16,366,697</u>	<u>0</u>	<u>18,172,342</u>
<u>\$269,164</u>	<u>\$39,202</u>	<u>\$16,366,697</u>	<u>\$2,965,659</u>	<u>\$23,062,134</u>

Fayetteville-Perry Local School District
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2002

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<u>Revenues:</u>					
Property Taxes	\$1,139,378	\$27,817	\$220,204	\$53,657	\$1,441,056
Intergovernmental	4,330,868	219,169	27,495	57,244	4,634,776
Interest	351,340	101	0	0	351,441
Tuition and Fees	9,370	0	0	0	9,370
Rent	8,401	0	0	0	8,401
Extracurricular Activities	0	47,479	0	0	47,479
Gifts and Donations	0	14,314	0	0	14,314
Miscellaneous	13,596	12,624	0	0	26,220
Total Revenues	5,852,953	321,504	247,699	110,901	6,533,057
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	2,387,052	83,221	0	2,080	2,472,353
Special	544,284	49,402	0	0	593,686
Vocational	139,523	0	0	0	139,523
Other	0	17,303	0	0	17,303
Support Services:					
Pupils	129,843	37,988	0	0	167,831
Instructional Staff	354,009	40,174	0	28,111	422,294
Board of Education	50,596	0	0	0	50,596
Administration	645,826	10,092	0	0	655,918
Fiscal	224,474	779	6,329	1,558	233,140
Operation and Maintenance of Plant	572,569	33,149	0	12,326	618,044
Pupil Transportation	405,480	0	0	0	405,480
Central	2,500	0	0	0	2,500
Non-Instructional Services	10,368	895	0	0	11,263
Extracurricular Activities	91,030	59,770	0	0	150,800
Capital Outlay	6,104	0	0	0	6,104
Debt Service:					
Principal Retirement	58,455	0	62,362	11,880	132,697
Interest and Fiscal Charges	9,282	0	155,180	2,229	166,691
Total Expenditures	5,631,395	332,773	223,871	58,184	6,246,223
Excess of Revenues Over Expenditures	221,558	(11,269)	23,828	52,717	286,834
<u>Other Financing Sources (Uses):</u>					
Operating Transfers - In	0	2,000	29,251	0	31,251
Operating Transfers - Out	(31,251)	0	0	0	(31,251)
Total Other Financing Sources (Uses)	(31,251)	2,000	29,251	0	0
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	190,307	(9,269)	53,079	52,717	286,834
Fund Balances at Beginning of Year	722,779	96,445	372,129	87,031	1,278,384
Fund Balances at End of Year	\$913,086	\$87,176	\$425,208	\$139,748	\$1,565,218

See accompanying notes to the general purpose financial statements

Fayetteville - Perry Local School District
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2002

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Property Taxes	\$1,155,829	\$1,151,279	(\$4,550)
Intergovernmental	3,993,793	4,319,292	325,499
Interest	380,317	351,340	(28,977)
Tuition and Fees	15,000	9,370	(5,630)
Rent	7,000	8,574	1,574
Miscellaneous	0	13,596	13,596
Total Revenues	<u>5,551,939</u>	<u>5,853,451</u>	<u>301,512</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	2,619,381	2,394,750	224,631
Special	548,568	569,191	(20,623)
Vocational	114,209	106,565	7,644
Support Services:			
Pupils	117,121	127,350	(10,229)
Instructional Staff	406,820	366,285	40,535
Board of Education	26,820	53,848	(27,028)
Administration	595,754	649,450	(53,696)
Fiscal	205,523	225,655	(20,132)
Operation and Maintenance of Plant	684,553	577,772	106,781
Pupil Transportation	463,490	518,357	(54,867)
Central	0	2,500	(2,500)
Non-Instructional Services	131,226	10,368	120,858
Extracurricular Activities	6,104	92,313	(86,209)
Capital Outlay	0	6,104	(6,104)
Debt Service:			
Principal Retirement	23,081	45,651	(22,570)
Interest and Fiscal Charges	0	8,464	(8,464)
Total Expenditures	<u>5,942,650</u>	<u>5,754,623</u>	<u>188,027</u>
Excess of Revenues Over (Under) Expenditures	<u>(390,711)</u>	<u>98,828</u>	<u>489,539</u>
<u>Other Financing Sources (Uses):</u>			
Refund of Prior Year Expenditures	0	324	324
Operating Transfers-Out	(35,000)	(31,251)	3,749
Total Other Financing Sources (Uses)	<u>(35,000)</u>	<u>(30,927)</u>	<u>4,073</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(425,711)</u>	<u>67,901</u>	<u>493,612</u>
Fund Balances at Beginning of Year	712,906	712,906	0
Prior Year Encumbrances Appropriated	327,742	327,742	0
Fund Balances at End of Year	<u>\$614,937</u>	<u>\$1,108,549</u>	<u>\$493,612</u>

(Continued)

Fayetteville - Perry Local School District
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2002
(Continued)

	Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Property Taxes	\$29,800	\$28,214	(\$1,586)
Intergovernmental	263,930	224,031	(39,899)
Interest	200	101	(99)
Extracurricular Activities	55,700	46,182	(9,518)
Gifts and Donations	17,000	14,314	(2,686)
Miscellaneous	19,400	12,624	(6,776)
Total Revenues	386,030	325,466	(60,564)
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	121,196	84,014	37,182
Special	61,833	61,035	798
Other	19,379	19,141	238
Support Services:			
Pupils	40,838	37,988	2,850
Instructional Staff	72,126	49,956	22,170
Administration	7,326	7,326	0
Fiscal	1,000	779	221
Operation and Maintenance of Plant	31,964	31,328	636
Non-Instructional Services	2,000	895	1,105
Extracurricular Activities	75,574	65,624	9,950
Total Expenditures	433,236	358,086	75,150
Excess of Revenues Over (Under) Expenditures	(47,206)	(32,620)	14,586
<u>Other Financing Sources:</u>			
Refund of Prior Year Expenditures	0	1,297	1,297
Operating Transfers-In	2,000	2,000	0
Total Other Financing Sources	2,000	3,297	1,297
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	(45,206)	(29,323)	15,883
Fund Balances at Beginning of Year	86,862	86,862	0
Prior Year Encumbrances Appropriated	16,151	16,151	0
Fund Balances at End of Year	\$57,807	\$73,690	\$15,883

(Continued)

Fayetteville - Perry Local School District
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2002
(Continued)

	Debt Service Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Property Taxes	\$207,594	\$224,506	\$16,912
Intergovernmental	27,000	27,495	495
Total Revenues	<u>234,594</u>	<u>252,001</u>	<u>17,407</u>
<u>Expenditures:</u>			
Support Services:			
Fiscal	9,000	6,329	2,671
Debt Service:			
Principal Retirement	102,162	62,362	39,800
Interest and Fiscal Charges	<u>115,381</u>	<u>155,180</u>	<u>(39,799)</u>
Total Expenditures	<u>226,543</u>	<u>223,871</u>	<u>2,672</u>
Excess of Revenues Over Expenditures	8,051	28,130	20,079
<u>Other Financing Sources:</u>			
Operating Transfers-In	<u>29,251</u>	<u>29,251</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over Expenditures	37,302	57,381	20,079
Fund Balances at Beginning of Year	<u>323,256</u>	<u>323,256</u>	<u>0</u>
Fund Balances at End of Year	<u><u>\$360,558</u></u>	<u><u>\$380,637</u></u>	<u><u>\$20,079</u></u>

(Continued)

*Fayetteville - Perry Local School District
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types
 For the Fiscal Year Ended June 30, 2002
 (Continued)*

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Property Taxes	\$59,720	\$54,408	(\$5,312)
Intergovernmental	53,685	57,244	3,559
Total Revenues	<u>113,405</u>	<u>111,652</u>	<u>(1,753)</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	48	3,425	(3,377)
Support Services:			
Instructional Staff	66,390	65,607	783
Fiscal	0	1,558	(1,558)
Operation and Maintenance of Plant	9,298	16,086	(6,788)
Debt Service:			
Principal Retirement	24,971	11,880	13,091
Interest and Fiscal Charges	2,747	2,229	518
Total Expenditures	<u>103,454</u>	<u>100,785</u>	<u>2,669</u>
Excess of Revenues Over Expenditures	9,951	10,867	916
Fund Balances at Beginning of Year	75,636	75,636	0
Prior Year Encumbrances Appropriated	<u>2,345</u>	<u>2,345</u>	<u>0</u>
Fund Balances at End of Year	<u><u>\$87,932</u></u>	<u><u>\$88,848</u></u>	<u><u>\$916</u></u>

See accompanying notes to the general purpose financial statements

***Fayetteville-Perry Local School District
Combined Statement of Revenues,
Expenses and Changes in Fund Equity
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2002***

	Enterprise
<u>Operating Revenues:</u>	
Sales	\$266,340
<u>Operating Expenses:</u>	
Salaries	100,177
Fringe Benefits	28,898
Purchased Services	23,284
Materials and Supplies	50,576
Cost of Sales	128,084
Depreciation	12,073
Other	35
Total Operating Expenses	343,127
Operating Loss	(76,787)
<u>Non-Operating Revenues (Expenses):</u>	
Interest	1,462
Federal Donated Commodities	24,535
Federal and State Subsidies	57,997
Loss on Sale of Fixed Assets	(2,026)
Total Non-Operating Revenues (Expenses)	81,968
Net Income	5,181
Retained Earnings at Beginning of Year	52,293
Retained Earnings at End of Year	57,474
Contributed Capital at Beginning and End of Year	182,953
Total Fund Equity at End of Year	\$240,427

See accompanying notes to the general purpose financial statements

***Fayetteville-Perry Local School District
Combined Statement of Revenues, Expenses and
Changes in Fund Equity - Budget and Actual (Budget Basis)
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2002***

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Sales	\$264,550	\$266,120	\$1,570
Interest	3,000	1,462	(1,538)
Federal and State Subsidies	68,000	57,997	(10,003)
Total Revenues	<u>335,550</u>	<u>325,579</u>	<u>(9,971)</u>
<u>Expenses:</u>			
Salaries	101,000	98,821	2,179
Fringe Benefits	34,436	30,007	4,429
Purchased Services	32,898	28,148	4,750
Materials and Supplies	196,600	167,509	29,091
Capital Outlay	3,000	1,548	1,452
Other	0	35	(35)
Total Expenses	<u>367,934</u>	<u>326,068</u>	<u>41,866</u>
Excess of Revenues Over (Under) Expenses	(32,384)	(489)	31,895
Fund Equity at Beginning of Year	76,016	76,016	0
Prior Year Encumbrances Appropriated	<u>8,298</u>	<u>8,298</u>	<u>0</u>
Fund Equity at End of Year	<u><u>\$51,930</u></u>	<u><u>\$83,825</u></u>	<u><u>\$31,895</u></u>

See accompanying notes to the general purpose financial statements

Fayetteville-Perry Local School District
Combined Statement of Cash Flows
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2002

	Enterprise
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$266,120
Cash Payments to Suppliers for Goods and Services	(180,723)
Cash Payments to Employees for Services	(98,821)
Cash Payments for Employee Benefits	(30,007)
Cash Payments for Other Operating Activities	(35)
	(43,466)
Net Cash Used for Operating Activities	(43,466)
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	57,997
<u>Cash Flows from Investing Activities:</u>	
Interest on Investments	1,462
	15,993
Net Increase in Cash and Cash Equivalents	15,993
Cash and Cash Equivalents at Beginning of Year	84,314
	\$100,307
Cash and Cash Equivalents at End of Year	\$100,307
<u>Reconciliation of Operating Loss to Net</u>	
<u>Cash Used for Operating Activities:</u>	
Operating Loss	(\$76,787)
<u>Adjustments to Reconcile Operating</u>	
<u>Loss to Net Cash Used for Operating Activities:</u>	
Depreciation	12,073
Donated Commodities Received During Year	24,535
<u>Changes in Assets and Liabilities:</u>	
Increase in Accounts Receivable	(220)
Decrease in Materials and Supplies Inventory	52
Increase in Inventory Held for Resale	(4,903)
Increase in Accrued Wages and Benefits	2,200
Decrease in Accounts Payable	(463)
Increase in Intergovernmental Payable	47
	33,321
Total Adjustments	33,321
Net Cash Used for Operating Activities	(\$43,466)

Non-Cash Transactions: The School District received \$24,535 in donated commodities during the year in the food service enterprise fund.

See accompanying notes to the general purpose financial statements

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Fayetteville-Perry Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

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

Reporting Entity:

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

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

The following entities which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

Fayetteville-Perry Parent Teacher Association
Fayetteville-Perry School Boosters

The School District participates in four organizations, two of which are defined as jointly governed organizations, one as a public entity shared risk pool, and two insurance purchasing pools. These organizations are the South Central Ohio Computer Association (SCOCA), the Hopewell Special Education Regional Resource Center (Hopewell), the Brown County Schools Benefits Consortium, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. The Brown County School Benefits Consortium is made up of a public entity shared risk pool and an insurance purchasing pool. These organizations are presented in Notes 16, 17 and 18 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

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

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

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

Governmental Fund Types:

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

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

Fayetteville-Perry Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Proprietary Fund Type:

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

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

Fiduciary Fund Type:

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

Account Groups:

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

B. Measurement Focus and Basis of Accounting

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

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

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

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

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

Fayetteville-Perry Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

C. Budgetary Process

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

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

Fayetteville-Perry Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Budget:

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

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

Estimated Resources:

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

Appropriations:

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

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

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

Fayetteville-Perry Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances:

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

Lapsing of Appropriations:

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

D. Cash and Cash Equivalents

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

During fiscal year 2002, the District's investments were limited to funds invested in the State Treasury Assets Reserve of Ohio (STAR Ohio) and repurchase agreements. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

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, 2002.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2002 amounted to \$351,340 which includes \$138,671 assigned from other School District funds.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Inventory

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

G. Fixed Assets and Depreciation

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

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

H. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

Fayetteville-Perry Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

I. Accrued Liabilities and Long-term Obligations

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

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

J. Interfund Transactions

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

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

K. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for school bus purchases.

L. Fund Balance Reserves

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

Fayetteville-Perry Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

M. Estimates

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

N. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at fiscal year end. Beginning in 2001, GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," has required that these types of contributions be recorded as revenues and reported as retained earnings.

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

O. Total Columns on General Purpose Financial Statements

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2002, the Title I Special Revenue Fund had a deficit fund balance of \$132. The general fund provides transfers to cover the deficit balance; however, this is done when cash is needed rather than when accruals occur.

Fayetteville-Perry Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE (Continued)

B. Compliance

The Ohio Reads Volunteer Building and the Continuous Improvement Special Revenue Funds each had an excess of expenditures plus encumbrances over appropriations in the amount of \$237 and \$109, respectively.

NOTE 4 - BUDGET TO GAAP RECONCILIATION

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - Proprietary Fund Type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis); and

Fayetteville-Perry Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 4 - BUDGET TO GAAP RECONCILIATION (Continued)

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

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Project
GAAP Basis	\$190,307	(\$9,269)	\$53,079	\$52,717
Adjustments:				
Revenue Accruals	822	5,259	4,302	751
Expenditure Accruals	131,550	13,129	0	0
Encumbrances	(254,778)	(38,442)	0	(42,601)
Budget Basis	<u>\$67,901</u>	<u>(\$29,323)</u>	<u>\$57,381</u>	<u>\$10,867</u>

Net Income/Excess of Revenues Under Expenses Proprietary Fund Type	
	Enterprise
GAAP Basis	\$5,181
Adjustments:	
Revenue Accruals	(220)
Expenditure Accruals	(3,067)
Loss on Disposal of Fixed Assets	2,026
Depreciation Expense	12,073
Encumbrances	(16,482)
Budget Basis	<u>(\$489)</u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

Fayetteville-Perry Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 5 - 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 accounts, including passbook accounts.

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and

Fayetteville-Perry Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

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

Deposits: At fiscal year-end, the carrying amount of the School District's deposits was (\$139,955) and the bank balance was \$67,005. The entire bank balance was covered by federal depository insurance.

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

	Category 3	Carrying/Fair Value
STAR Ohio	\$0	\$1,914,798
Repurchase Agreement	352,211	352,211
Total	\$352,211	\$2,267,009

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

Fayetteville-Perry Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$2,127,054	\$0
Investments:		
STAR Ohio	(1,914,798)	1,914,798
Repurchase Agreement	(352,211)	352,211
GASB Statement No. 3	(\$139,955)	\$2,267,009

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) are for calendar 2002 taxes.

2002 real property taxes are levied after April 1, 2002, on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2002 real property taxes are collected in and intended to finance fiscal year 2003.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2002 and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are twenty-five percent of true value.

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

Fayetteville-Perry Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 6 - PROPERTY TAXES (Continued)

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

The assessed values upon which the fiscal year 2002 taxes were collected are:

	2001 Second- Half Collections		2002 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$55,288,170	90.87%	\$57,137,680	93.32%
Public Utility Property	4,982,880	8.19%	3,481,370	5.69%
Tangible Personal Property	570,693	0.94%	608,208	0.99%
Total Assessed Value	<u>\$60,841,743</u>	<u>100%</u>	<u>\$61,227,258</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	41.90		39.90	

The School District receives property taxes from Brown County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2002 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30, was levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue. The amount available as an advance at June 30, 2002, was \$169,109 in the General Fund, \$4,128 in the Classroom Facilities Maintenance Special Revenue Fund, \$44,571 in the Debt Service Fund, and \$8,299 in the Permanent Improvement Capital Projects Fund.

Fayetteville-Perry Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 7 - RECEIVABLES

Receivables at June 30, 2002, consisted of property taxes, accounts (tuition and student fees) and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Student fees are also considered collectible in full due to the withholding of diplomas and grade cards.

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

	Amount
General Fund	
Grants	\$11,252
Special Revenue Funds	
Title VI B	1,440
Title I	1,746
Title VI R	2,952
Total Special Revenue Funds	6,138
Total All Funds	\$17,390

NOTE 8 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2002 follows:

Furniture and Equipmnt	\$300,402
Less: Accumulated Depreciation	(139,431)
Net Fixed Assets	\$160,971

A summary of the changes in general fixed assets during fiscal year 2002 follows:

Asset Category	Balance at June 30, 2001	Additions	Deletions	Balance at June 30, 2002
Land	\$958,558	\$17,595	\$0	\$976,153
Buildings and Improvements	12,542,102	14,481	0	12,556,583
Furniture, Fixtures and Equipment	2,093,752	45,300	93,040	2,046,012
Vehicles	748,913	63,036	24,000	787,949
Total	\$16,343,325	\$140,412	\$117,040	\$16,366,697

Fayetteville-Perry Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002, the School District contracted with Selective Insurance for general liability insurance with a \$2,000,000 single occurrence limit and a \$5,000,000 aggregate. Property is protected by the Selective Insurance Company and holds a \$1,000 deductible.

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

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

For fiscal year 2002, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

The School District participates in the Brown County School Benefits Consortium (the Consortium), a public entity risk pool (Note 17) consisting of seven districts to obtain lower costs for health insurance coverage. The School District is responsible for providing a current listing of enrolled employees and for providing timely pro-rata payments of premiums to the Consortium for employee health coverage and benefits. The Consortium is responsible for the management and operations of the program. Upon termination from the Consortium, for any reason, the terminated member assumes and is responsible for the payment of any delinquent contributions.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2001, 4.2 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$53,687, \$31,066, and \$34,499, respectively; 58.73 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$22,155 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

For the fiscal year ended June 30, 2002, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$229,829, \$238,525, and \$133,168, respectively; 82.27 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$40,741 represents the unpaid contribution for fiscal year 2002 and is recorded as a liability within the respective funds.

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2002, five members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$108,866 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

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

Fayetteville-Perry Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent from fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$95,078.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 206 days. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of 30 days. If an employee chooses to retire in the first year in which they become eligible, they will be compensated for one-half of the accrued, but unused sick leave credit to a maximum of 100 days.

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Fortis Benefits.

Fayetteville-Perry Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE

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

The vehicle has been capitalized in the general fixed assets account group in the amount of \$56,766. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. In fiscal year 2002, the School District made the final principal payment of \$12,804.

NOTE 14 - LONG-TERM OBLIGATIONS

The change in the School District's long-term obligations during the fiscal year 2002 were as follows:

	<u>Principal Outstanding June 30, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Principal Outstanding June 30, 2002</u>
<u>General Obligation Debt</u>				
Technology Equipment Acquisition				
Bonds 2001 4.78%	\$112,520	\$0	\$26,169	\$86,351
Various Purpose Refunding Bonds				
2001 4.78%	134,846	0	31,362	103,484
School Improvement Bonds				
1996 6.00%	2,082,000	0	22,000	2,060,000
School Improvement Bonds				
1995 6.25%	440,000	0	15,000	425,000
Total General Obligation Debt	<u>2,769,366</u>	<u>0</u>	<u>94,531</u>	<u>2,674,835</u>
 <u>Other Long-Term Obligations</u>				
Energy Conservation Loan				
1993 Variable	70,712	0	25,362	45,350
Judgment Payable	3,000	0	3,000	0
Capital Lease Payable	12,804	0	12,804	0
Intergovernmental Payable - Pension obligation	45,059	42,063	45,059	42,063
Compensated Absences Payable	461,280	0	257,869	203,411
Total General Long-Term Obligations	<u>\$3,362,221</u>	<u>\$42,063</u>	<u>\$438,625</u>	<u>\$2,965,659</u>

Technology Equipment Acquisition Bonds

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

Fayetteville-Perry Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 14 - LONG-TERM OBLIGATIONS (Continued)

Various Purpose Refunding Bonds - Current Refunding

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

School Improvement General Obligation Bonds

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

School Improvement General Obligation Bonds

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

Energy Conservation Loan

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

Judgment Payable

The judgment payable is the result of a court case settled in 1996. The School District made the final payment of \$3,000 in February 2002. The settlement was paid from the general fund. The expenditures were reflected as program/function expenditures.

Intergovernmental payable and compensated absences will be paid from the funds from which the employees' salaries are paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period. Capital leases were paid from the general fund.

The School District's overall legal debt margin was \$3,260,826, an energy conservation debt margin of \$505,695, with an unvoted debt margin of \$61,227 at June 30, 2002.

Fayetteville-Perry Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 14 - LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2002 are as follows:

Technology Equipment Acquisition Bonds

Fiscal Year Ending June 30,	Principal	Interest	Total
2003	\$27,436	\$3,803	\$31,239
2004	28,762	2,477	31,239
2005	30,153	1,085	31,238
Total	<u>\$86,351</u>	<u>\$7,365</u>	<u>\$93,716</u>

Various Purpose Refunding Bonds

Fiscal Year Ending June 30,	Principal	Interest	Total
2003	\$32,879	\$4,558	\$37,437
2004	34,469	2,968	37,437
2005	36,136	1,301	37,437
Total	<u>\$103,484</u>	<u>\$8,827</u>	<u>\$112,311</u>

School Improvement Bonds

Fiscal Year Ending June 30,	Principal	Interest	Total
2003	\$55,000	\$148,494	\$203,494
2004	70,000	144,700	214,700
2005	90,000	139,856	229,856
2006	95,000	134,263	229,263
2007	105,000	128,219	233,219
2008-2012	790,000	512,955	1,302,955
2013-2017	1,015,000	237,575	1,252,575
2018-2019	265,000	10,544	275,544
Total	<u>\$2,485,000</u>	<u>\$1,456,606</u>	<u>\$3,941,606</u>

Fayetteville-Perry Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 14 - LONG-TERM OBLIGATIONS (Continued)

Energy Conservation Loan

Fiscal Year	Principal
<u>Ending June 30,</u>	<u> </u>
2003	\$26,777
2004	18,573
Total	<u><u>\$45,350</u></u>

NOTE 15 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the Fayetteville-Perry Local School District as of and for the fiscal year ended June 30, 2002:

	<u>Food</u>	<u>Uniform</u>	<u>Total</u>
	<u>Service</u>	<u>School</u>	
		<u>Supplies</u>	
Operating Revenues	\$232,271	\$34,069	\$266,340
Depreciation Expense	12,057	0	12,057
Operating Income (Loss)	(78,380)	1,593	(76,787)
Federal Donated Commodities	24,535	0	24,535
Federal and State Subsidies	57,997	0	57,997
Net Income	3,588	1,593	5,181
Fixed Asset Deletions	(4,673)	0	(4,673)
Net Working Capital	58,322	21,134	79,456
Total Assets	252,430	21,134	273,564
Total Equity	219,293	21,134	240,427
Encumbrances at June 30, 2002	(\$13,280)	(\$3,202)	(\$16,482)

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, Jackson, Vinton and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The governing Board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers plus the fiscal agent. The School District paid SCOCA \$8,016 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School, Tonya Cooper, who serves as Treasurer, at P.O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

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

NOTE 17 - PUBLIC ENTITY SHARED RISK POOL

Six Brown County school districts (Eastern, Fayetteville-Perry, Georgetown, Ripley Union Lewis Huntington, Southern Hills Joint Vocational and Western Brown) have entered into an agreement with the Brown County Educational Service Center to form the Brown County Schools Benefits Consortium, a public entity risk pool. The overall objectives of the Consortium are to formulate and administer a program of health and dental insurance for the benefit of the Consortium members' employees and their dependents. The public entity risk pool is made up of an insurance purchasing pool and a public entity shared risk pool. The insurance purchasing pool provides fully funded medical health insurance benefits directly to consortium member employees, through Medical Mutual of Ohio. The School District pays premiums based on employee membership. Dental insurance is provided through a public entity risk sharing pool. The School District pays dental premiums based on consortium estimates of future claims. If the School District's dental claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the School District's claims are low, it will not receive a refund. To obtain financial information write to the Brown County Educational Service Center at 325 West State St., Georgetown, Ohio 45121.

Fayetteville-Perry Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 18 - INSURANCE PURCHASING POOL

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

NOTE 19 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-Aside Reserve Balance at June 30, 2001	(\$155,871)	\$0
Current Year Set-Aside Requirements	113,872	113,872
Current Year Off-Sets	0	(31,506)
Qualifying Disbursements	<u>(271,535)</u>	<u>(255,806)</u>
Set-Aside Reserve Balance at June 30, 2002	<u>(\$313,534)</u>	<u>(\$173,440)</u>
Total Restricted Balances Carry Forward	<u>(\$313,534)</u>	<u>\$0</u>

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

NOTE 20 - STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

Fayetteville-Perry Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 21 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

B. Litigation

The School District is party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Fayetteville-Perry Local School District
Brown County
P.O. Box 281
501 South Apple Street
Fayetteville, Ohio 45118

To the Board of Education:

We have audited the financial statements of the Fayetteville-Perry Local School District, Brown County, Ohio (the District), as of and for the fiscal year ended June 30, 2002, and have issued our report thereon dated December 16, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 16, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 16, 2002.

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

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

December 16, 2002

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

**SCHEDULE OF FINDINGS
JUNE 30, 2002**

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

None

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2002**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected ?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: <i>Explain:</i>
2001-10408-001	Ohio Rev. Code, Section 5705.41(D). The availability of funds was not certified for certain commitments.	No	Partially corrected. The District did not properly encumber an immaterial amount of expenditures. For 2002, this issued is addressed in the management letter.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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FAYETTEVILLE-PERRY LOCAL SCHOOL DISTRICT

BROWN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 7, 2003**