



## FAYETTEVILLE-PERRY LOCAL SCHOOL DISTRICT BROWN COUNTY

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# Mary Taylor, CPA Auditor of State

#### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fayetteville-Perry Local School District, Brown County, Ohio (the "District"), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Fayetteville-Perry Local School District, Brown County, Ohio, as of June 30, 2007, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of out testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Fayetteville-Perry Local School District Brown County Independent Accountants' Report Page 2

Mary Taylor

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

Mary Taylor, CPA Auditor of State

April 8, 2008

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2007 Unaudited

As management of the Fayetteville-Perry Local School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's performance.

#### **Financial Highlights**

The assets of the Fayetteville-Perry Local School District exceeded its liabilities at June 30, 2007 by \$28,323,509.
The School District's net assets increased by \$447,492 during this fiscal year's operations.
General revenues accounted for \$7,792,971 or 80 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions and interest accounted for \$2,001,616 or 20 percent of total revenues of \$9,794,587.
The School District had \$9,347,095 in expenses related to governmental activities; only \$2,001,616 of these expenses were offset by program specific charges for services and sales, grants, contributions and interest.

#### **Using the Basic Financial Statements**

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

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

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2007 Unaudited

#### Reporting the School District as a Whole

One of the most important questions asked about the School District is "How did we do financially during fiscal year 2007?" The Statement of Net Assets and the Statements of Activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These government-wide financial statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

#### Reporting the School District's Most Significant Funds

#### **Fund Financial Statements**

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

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

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

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2007 Unaudited

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

Table 1 provides a summary of the School District's net assets for fiscal years 2007 and 2006:

(Table 1) Net Assets Governmental Activities

	2007	2006	Change
Assets			_
Current and Other Assets	\$28,656,481	\$27,953,644	\$702,837
Capital Assets	11,826,028	11,301,511	524,517
Total Assets	40,482,509	39,255,155	1,227,354
Liabilities			
Long-Term Liabilities	9,356,580	9,403,971	(47,391)
Other Liabilities	2,802,420	1,975,167	827,253
Total Liabilities	12,159,000	11,379,138	779,862
Net Assets			
Invested in Capital Assets,			
Net of Related Debt	8,727,261	8,879,299	(152,038)
Restricted	17,440,015	16,787,961	652,054
Unrestricted	2,156,233	2,208,757	(52,524)
Total Net Assets	\$28,323,509	\$27,876,017	\$447,492

Net assets increased by \$447,492 and current and other assets increased by \$702,837 during the fiscal year. This was due primarily to an increase in property taxes receivable resulting from a revaluation in 2006. Other liabilities increased by \$827,253 due mainly to increases in contracts payable related to the construction of new buildings and deferred revenue related to property taxes. Restricted assets increased \$652,054 due to the receipt of Ohio School Facilities Commission funding that was not spent in fiscal year 2007.

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

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

*Fayetteville-Perry Local School District* Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2007 Unaudited

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

	2007	2006	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	\$1,093,773	\$972,001	\$121,772
Operating Grants, Contributions and Interest	907,843	823,236	84,607
Capital Grants and Contributions	0	11,136	(11,136)
Total Program Revenues	2,001,616	1,806,373	195,243
General Revenues:			
Property Taxes	2,376,692	2,141,562	235,130
Grants and Entitlements not			
Restricted to Specific Programs	4,728,864	20,420,429	(15,691,565)
Gifts and Donations	1,165	60	1,105
Investment Earnings	621,615	273,099	348,516
Miscellaneous	64,635	35,417	29,218
Total General Revenues	7,792,971	22,870,567	(15,077,596)
Total Revenues	\$9,794,587	\$24,676,940	(\$14,882,353)

(continued)

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2007 Unaudited

#### (Table 2) Change in Net Assets Governmental Activites (continued)

	2007	2006	Change	
<b>Program Expenses</b>				
Instruction:				
Regular	\$3,501,313	\$3,047,717	\$453,596	
Special	980,973	765,721	215,252	
Vocational	168,711	143,608	25,103	
Student Intervention Services	21,076	21,348	(272)	
Support Services:				
Pupils	386,798	311,421	75,377	
Instructional Staff	745,209	637,282	107,927	
Board of Education	58,455	59,057	(602)	
Administration	763,478	715,653	47,825	
Fiscal	295,112	267,676	27,436	
Operation and Maintenance of Plant	858,095	741,989	116,106	
Pupil Transportation	554,791	464,097	90,694	
Central	6,972	6,911	61	
Operation of Non-Instructional Services:				
Other	28,374	19,118	9,256	
Food Services	425,105	327,706	97,399	
Extracurricular Activities	176,140	170,544	5,596	
Interest and Fiscal Charges	376,493	245,376	131,117	
Total Expenses	9,347,095	7,945,224	1,401,871	
Change in Net Assets	447,492	16,731,716	(16,284,224)	
Net Assets at Beginning of Year	27,876,017	11,144,301	16,731,716	
Net Assets at End of Year	\$28,323,509	\$27,876,017	\$447,492	

Charges for services and sales increased \$121,772 due primarily to increases in tuition and fees.

Grants and entitlements not restricted to specific programs decreased \$15,691,565 due primarily to the recognition of OSFC grant funds for the construction project in fiscal year 2006.

Property taxes increased by \$235,130 due to an increase in property valuation.

Investment earnings more than doubled, increasing by \$348,516 due primarily to an increase in the School District's cash balances and higher interest rates.

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2007 Unaudited

Interest and fiscal charges increased \$131,117 due primarily to fees for legal counsel related to the construction project.

Regular instruction and special instruction expenses increased \$453,596 and \$215,252, respectively. Both increases were due to salary increases, higher costs of health insurance, and the provision of vision insurance beginning in fiscal year 2007.

Operation and maintenance of plant expenses increased \$116,106 due to salary increases and higher fuel and utility costs.

#### **Governmental Activities**

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

(Table 3) Governmental Activities

	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
Instruction	\$4,672,073	(\$3,367,352)	\$3,978,394	(\$2,777,738)
Support Services	3,668,910	(3,435,891)	3,204,086	(2,973,873)
Operation of Non-				
Instructional Services	453,479	(37,671)	346,824	(17,639)
Extracurricular Activities	176,140	(128,072)	170,544	(124,225)
Interest and Fiscal Charges	376,493	(376,493)	245,376	(245,376)
Total Expenses	\$9,347,095	(\$7,345,479)	\$7,945,224	(\$6,138,851)

#### **The School District's Funds**

Information about the School District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$10,971,721 and expenditures of \$17,477,311. The net change in fund balance for the fiscal year was most significant in the OSFC Classroom Facilities Fund, an increase of \$436,682. Intergovernmental revenues increased \$725,973 due to increases in OSFC funds. The net change in fund balance for the fiscal year in the Debt Service Fund was an increase of \$280,588. The net changes in fund balances for the fiscal year in the OSFC Locally Funded Initiative and General funds were \$63,288 and (\$883), respectively.

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2007 Unaudited

#### **General Fund - Budget Highlights**

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. During the course of fiscal year 2007, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures.

The School District's ending unobligated cash balance was \$16,704 above the final budgeted amount in the General Fund.

For the General Fund, budget basis actual revenues were \$7,544,950, a \$16,704 increase over final budget estimates of \$7,528,246. Final budget estimates were \$215,721 higher than original budget estimates of \$7,312,525. Budget basis actual expenditures in the General Fund were \$7,602,371. They were equal to the final budget estimates. Final budget estimates were \$653,489 higher than original budget estimates of \$6,948,882. When original budgeted revenues and expenditures were estimated, the School District based the estimate on a percentage of the prior fiscal year. However, as the fiscal year progressed, the School District amended the budget to more accurately report the estimates, based upon more updated information, when we learned of what revenues would be received and what related expenditures would be made.

#### **Capital Assets and Debt Administration**

#### Capital Assets

The Fayetteville-Perry Local School District's investment in capital assets as of June 30, 2007 was \$11,826,028. This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, furniture, fixtures and equipment, and vehicles. Table 4 shows fiscal year 2007 balances compared to fiscal year 2006:

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2007 Unaudited

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

	2007	2006	Change	
Land	\$89,380	\$89,380	\$0	
Construction in Progress	1,084,227	194,678	889,549	
Land Improvements	13,231	13,916	(685)	
Buildings and Improvements	9,880,067	10,188,604	(308,537)	
Furniture, Fixtures, and Equipment	359,130	413,429	(54,299)	
Vehicles	399,993	401,504	(1,511)	
Totals	\$11,826,028	\$11,301,511	\$524,517	

Net capital assets increased \$524,517 from the prior fiscal year, primarily due to additions exceeding current year depreciation.

For more information on capital assets, refer to note 7 to the basic financial statements.

#### Debt

At June 30, 2007 the School District had \$9,022,270 in bonds outstanding with \$296,831 due within one year. Table 5 summarizes bonds outstanding:

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2007 Unaudited

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

	2007	2006
General Obligation Bonds:		
2003 Various Purpose Bonds 4.10%	\$32,769	\$52,534
1996 School Improvement Bonds 6.00%	115,000	1,820,000
1995 School Improvement Bonds 6.25%	0	355,000
2006 Classroom Facilities Bond Anticipation		
Notes 3.75%	0	6,895,000
2006 School Improvement Refunding Bonds		
3.75% - 4.50%	8,850,000	0
Premium on Refunding Bonds	124,254	0
Gain on Refunding	(99,753)	0
Totals	\$9,022,270	\$9,122,534

The School District's overall legal debt margin was (\$163,274) with an unvoted debt margin of \$86,972 at June 30, 2007.

For more information on debt, refer to note 12 to the basic financial statements.

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

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

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Statement of Net Assets June 30, 2007

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$12,082,710
Prepaid Items	8,215
Inventory Held for Resale	7,167
Materials and Supplies Inventory	1,687
Intergovernmental Receivable	14,086,503
Property Taxes Receivable	2,357,469
Deferred Charges	112,730
Capital Assets:	
Land	89,380
Construction in Progress	1,084,227
Depreciable Capital Assets, Net	10,652,421
1	
Total Assets	40,482,509
Liabilities:	
Accounts Payable	5,628
Accrued Wages and Benefits Payable	691,347
Intergovernmental Payable	209,752
Contracts Payable	329,764
Deferred Revenue	1,520,305
Matured Compensated Absences Payable	13,264
Accrued Interest Payable	32,360
Long-Term Liabilities:	32,300
Due Within One Year	322,334
Due in More Than One Year	9,034,246
Due in word Than One Teat	9,034,240
Total Liabilities	12,159,000
Net Assets:	
Invested in Capital Assets, Net of Related Debt	8,727,261
Restricted for:	0,727,201
Capital Outlay	16,193,989
Debt Service	1,012,722
Other Purposes	233,304
Unrestricted	2,156,233
omesticid	2,130,233
Total Net Assets	\$28,323,509

## Fayetteville-Perry Local School District Statement of Activities

For the Fiscal Year Ended June 30, 2007

		Program	Revenues	Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$3,501,313	\$809,202	\$37,859	(\$2,654,252)
Special	980,973	0	421,043	(559,930)
Vocational	168,711	0	36,617	(132,094)
Student Intervention Services	21,076	0	0	(21,076)
Support Services:				
Pupils	386,798	0	124,770	(262,028)
Instructional Staff	745,209	0	79,599	(665,610)
Board of Education	58,455	0	0	(58,455)
Administration	763,478	0	16,490	(746,988)
Fiscal	295,112	0	0	(295,112)
Operation and Maintenance of Plant	858,095	0	3,820	(854,275)
Pupil Transportation	554,791	0	8,340	(546,451)
Central	6,972	0	0	(6,972)
Operation of Non-Instructional Services:				
Other	28,374	0	0	(28,374)
Food Services	425,105	245,818	169,990	(9,297)
Extracurricular Activities	176,140	38,753	9,315	(128,072)
Interest and Fiscal Charges	376,493	0	0	(376,493)
Total Governmental Activities	\$9,347,095	\$1,093,773	\$907,843	(7,345,479)
		General Revenues: Property Taxes Levied	for:	1 602 012
		General Purposes		1,603,912
		Debt Service		662,936
		Capital Outlay	tot	109,844
		Grants and Entitlemen		1 720 061
		Restricted to Specific Gifts and Donations	c Flograms	4,728,864 1,165
		Investment Earnings Miscellaneous		621,615 64,635
		Total General Revenues		7,792,971
		Change in Net Assets		447,492
		Net Assets at Beginning	of Year	27,876,017
		Net Assets at End of Yea	r	\$28,323,509

Balance Sheet Governmental Funds June 30, 2007

	General Fund	Debt Service Fund	OSFC Locally Funded Initiative Fund	OSFC Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
Assets:	44.504.554	4000 250	<b>*</b> • • • • • • • • • • • • • • • • • • •	A	4224204	<b>***</b>
Equity in Pooled Cash and Cash Equivalents	\$2,792,773	\$808,259	\$4,041,450	\$4,105,834	\$334,394	\$12,082,710
Inventory Held for Resale	0	0	0	0	7,167	7,167
Materials and Supplies Inventory	0	0	0	0	1,687	1,687
Intergovernmental Receivable	2,520	719	0	14,050,646	32,618	14,086,503
Prepaid Items	5,218	0	0	0	2,997	8,215
Property Taxes Receivable	1,592,108	655,450	0	0	109,911	2,357,469
Total Assets	\$4,392,619	\$1,464,428	\$4,041,450	\$18,156,480	\$488,774	\$28,543,751
Liabilities:						
Accounts Payable	\$5,306	\$0	\$0	\$0	\$322	\$5,628
Accrued Wages and Benefits Payable	667,956	0	0	0	23,391	691,347
Contracts Payable	0	0	6,017	323,747	0	329,764
Intergovernmental Payable	197,527	0	0	0	12,225	209,752
Accrued Interest Payable	0	6,271	0	0	0	6,271
Matured Compensated Absences Payable	13,264	0	0	0	0	13,264
Deferred Revenue	1,108,205	451,143	0	14,050,646	93,305	15,703,299
Total Liabilities	1,992,258	457,414	6,017	14,374,393	129,243	16,959,325
Fund Balances:						
Reserved for Encumbrances	131,469	0	145	1,368,971	29,672	1,530,257
Reserved for Property Taxes	482,870	204,012	0	0	33,588	720,470
Unreserved:						
Undesignated, Reported in:						
General Fund	1,786,022	0	0	0	0	1,786,022
Special Revenue Funds	0	0	0	0	187,581	187,581
Debt Service Fund	0	803,002	0	0	0	803,002
Capital Projects Funds	0	0	4,035,288	2,413,116	108,690	6,557,094
Total Fund Balances	2,400,361	1,007,014	4,035,433	3,782,087	359,531	11,584,426
Total Liabilities and Fund Balances	\$4,392,619	\$1,464,428	\$4,041,450	\$18,156,480	\$488,774	\$28,543,751

### Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities June 30, 2007

<b>Total Governmental Fund Balances</b>		\$11,584,426
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and		
therefore are not reported in the funds. These assets consist of:		
Land	89,380	
Construction in progress	1,084,227	
Other capital assets	16,020,073	
Accumulated depreciation	(5,367,652)	
Total capital assets		11,826,028
Some of the School District's revenues will be collected after fiscal year-end,		
but are not available soon enough to pay for the current period's expenditures		
and therefore are deferred in the funds.		
Delinquent property taxes	111,947	
Intergovernmental	14,071,047	
	_	14,182,994
Bond issuance costs reported as an expenditure in governmental funds are		
allocated as an expense over the life of the debt on a full accrual basis.		112,730
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Bonds payable	(8,997,769)	
Bond premium	(124,254)	
Gain on refunding	99,753	
Accrued interest on bonds	(26,089)	
Compensated absences	(334,310)	
Total liabilities	_	(9,382,669)
Net Assets of Governmental Activities	_	\$28,323,509

## Fayetteville-Perry Local School District Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

For the Fiscal Year Ended June 30, 2007

	General Fund	Debt Service Fund	OSFC Locally Funded Initiative Fund	OSFC Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Property Taxes	\$1,600,204	\$661,353	\$0	\$0	\$109,772	\$2,371,329
Intergovernmental	5,021,973	78,635	0	1,197,521	506,344	6,804,473
Interest	212,197	23,499	208,119	177,800	5,416	627,031
Tuition and Fees	768,055	0	0	0	41,147	809,202
Extracurricular Activities	0	0	0	0	38,753	38,753
Gifts and Donations	1,165	0	0	0	9,315	10,480
Customer Sales and Services	0	0	0	0	245,818	245,818
Miscellaneous	31,589	0	0	0	33,046	64,635
Total Revenues	7,635,183	763,487	208,119	1,375,321	989,611	10,971,721
Expenditures: Current:						
Instruction: Regular	3,238,726	0	0	0	102,451	3,341,177
Special	889,968	0	0	0	67,053	957,021
Vocational	164,570	0	0	0	1,708	166,278
Student Intervention Services	21,076	0	0	0	0	21,076
Support Services:	21,070	O	O	Ü	O	21,070
Pupils	251,653	0	0	0	124,483	376,136
Instructional Staff	624,138	0	0	0	81,608	705,746
Board of Education	58,455	0	0	0	0	58,455
Administration	721,464	0	0	0	16,504	737,968
Fiscal	264,083	15,756	0	0	2,649	282,488
Operation and Maintenance of Plant	763,991	0	0	0	24,471	788,462
Pupil Transportation	486,135	0	0	0	35,000	521,135
Central	6,972	0	0	0	0	6,972
Operation of Non-Instructional Services:						
Other	28,374	0	0	0	0	28,374
Food Services	0	0	0	0	388,808	388,808
Extracurricular Activities	116,461	0	0	0	56,140	172,601
Capital Outlay	0	0	34,296	855,253	0	889,549
Debt Service						
Principal Retirement	0	105,000	0	0	19,765	124,765
Interest and Fiscal Charges	0	271,766	110,535	83,386	1,946	467,633
Issuance Costs	0	115,467	0	0	0	115,467
Payment to Refunded Bond Escrow Agent	0	92,200	0	0	0	92,200
Total Expenditures	7,636,066	600,189	144,831	938,639	922,586	10,242,311
Excess of Revenues Over (Under) Expenditures	(883)	163,298	63,288	436,682	67,025	729,410
Other Financing Sources (Uses):						
Refunding Bonds Issued	0	8,850,000	0	0	0	8,850,000
Premium on Refunding Bonds Issued	0	127,282	0	0	0	127,282
Current Refunding	0	(7,235,000)	0	0	0	(7,235,000)
Payment to Refunded Bond Escrow Agent	0	(1,624,992)	0	0	0	(1,624,992)
Total Other Financing Sources (Uses)	0	117,290	0	0	0	117,290
Net Change in Fund Balances	(883)	280,588	63,288	436,682	67,025	846,700
Fund Balances at Beginning of Year	2,401,244	726,426	3,972,145	3,345,405	292,506	10,737,726
Fund Balances at End of Year	\$2,400,361	\$1,007,014	\$4,035,433	\$3,782,087	\$359,531	\$11,584,426

Fayetteville-Perry Local School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Fiscal Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds		\$846,700
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital assets additions	957,949	
Depreciation expense	(433,432)	
Excess of depreciation expense over capital outlay		524,517
Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.	5.262	
Delinquent property taxes Intergovernmental	5,363	
intergovernmentar	(1,182,497)	(1,177,134)
		(1,177,134)
Bond proceeds are reported as other financing sources in governmental funds and thus contribute to the change in fund balances. In the government-wide statements, however, issuing debt increases long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities.  Refunding bonds issued	(8,850,000)	
Premium on bonds	(127,282)	
		(8,977,282)
Governmental funds report bond issuance costs as expenditures, whereas these amounts are deferred and amortized in the Statement of Activities.		115,467
Governmental funds report premiums and bond issuance costs as expenditures, whereas these amounts are deferred and amortized in the Statement of Activities.  Amortization of bond premium  Amortization of bond issuance costs  Amortization of gain on refunding	3,028 (2,737) (2,439)	(2,148)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current fiscal year, these amounts consist of:  Bond payments  Note Payments	464,765 6,895,000	
Payment to refunded bond escrow agent	1,717,192	
Total long-term debt repayment	-,,	9,076,957
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditu in the funds when it is due, and thus requires the use of current financial resource. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional amount of interest on the Statement of Activities is the result of the following:		
Decrease in accrued interest payable		93,288
Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		,
Increase in compensated absences payable	_	(52,873)
Change in Net Assets of Governmental Activities	=	\$447,492

Statement of Revenues, Expenditures and Changes In Fund Balance - Budget (Non-GAAP Basis) and Actual General Fund For the Fiscal Year Ended June 30, 2007

				Variance with Final Budget
	Budgeted			Positive
	Original	Final	Actual	(Negative)
Revenues:				
Property Taxes	\$1,653,352	\$1,509,971	\$1,509,971	\$0
Intergovernmental	4,722,318	5,021,973	5,021,973	0
Interest	184,110	195,793	212,197	16,404
Tuition and Fees	722,226	768,055	768,055	0
Gifts and Donations	1,095	1,165	1,165	0
Miscellaneous	29,422	31,289	31,589	300
Total Revenues	7,312,524	7,528,246	7,544,950	16,704
Expenditures:				
Current:				
Instruction:				
Regular	2,855,391	3,177,756	3,177,756	0
Special	776,954	865,376	865,376	0
Vocational	145,829	161,241	161,241	0
Student Intervention Services	16,439	18,310	18,310	0
Support Services:				
Pupils	220,605	244,037	244,037	0
Instructional Staff	564,478	623,264	623,264	0
Board of Education	54,645	60,864	60,864	0
Administration	655,294	725,421	725,421	0
Fiscal	241,666	265,752	265,752	0
Operation and Maintenance of Plant	737,094	785,604	785,604	0
Pupil Transportation	517,284	506,976	506,976	0
Central	6,470	7,206	7,206	0
Operation of Non-Instructional Services	25,475	28,374	28,374	0
Extracurricular Activities	107,392	119,614	119,614	0
Capital Outlay	23,867	12,576	12,576	0
Total Expenditures	6,948,883	7,602,371	7,602,371	0
Excess of Revenues Over (Under) Expenditures	363,641	(74,125)	(57,421)	16,704
Other Financing Sources:				
Advances In	0	19,056	19,056	0
Net Change in Fund Balance	363,641	(55,069)	(38,365)	16,704
Fund Balance at Beginning of Year	2,573,572	2,573,572	2,573,572	0
Prior Year Encumbrances Appropriated	123,307	123,307	123,307	0
Fund Balance at End of Year	\$3,060,520	\$2,641,810	\$2,658,514	\$16,704

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007

	Private Purpose Trust	
	Scholarship	Agency
Assets: Equity in Pooled Cash and Cash Equivalents	\$3,043	\$37,604
Liabilities: Undistributed Monies		\$37,604
Net Assets: Held in Trust for Scholarships	\$3,043	

# Statement of Changes in Fiduciary Net Assets Fiduciary Fund For the Fiscal Year Ended June 30, 2007

	Private Purpose Trust
Additions: Interest	Scholarship \$155
<b>Deductions:</b> Payments in Accordance with Trust Agreements	500
Change in Net Assets	(345)
Net Assets at Beginning of Year	3,388
Net Assets at End of Year	\$3,043

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

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

The Fayetteville-Perry Local School District was established in 1895 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 62 square miles. It is located in Brown County and includes the Village of Fayetteville and Perry Township. The School District is staffed by 46 non-certificated employees, 64 certificated personnel and 10 administrative employees who provide services to 1,043 students and other community members. The School District currently operates three instructional buildings.

#### Reporting Entity:

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

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

The School District participates in six organizations, four of which are defined as jointly governed organizations, one as a public entity shared risk and insurance purchasing pool, and one as an insurance purchasing pool. These organizations are the South Central Ohio Computer Association, the Hopewell Special Education Regional Resource Center, the Southern Hills Joint Vocational School District, the Unified Purchasing Cooperative of the Ohio River Valley, the Brown County Schools Benefits Consortium, and the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan. These organizations are presented in Notes 13, 14, and 15 of the basic financial statements.

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

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

#### A. Basis of Presentation

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

Government-wide Financial Statements

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

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

#### Fayetteville-Perry Local School District Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2007

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

#### Fund Financial Statements

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

#### **B.** Fund Accounting

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

#### Governmental Funds

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

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

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

Ohio School Facilities Commission (OSFC) Locally Funded Initiative Fund - This fund is used to account for local monies collected as debt proceeds for expenditures on the building renovation that are not funded by the Ohio School Facilities Commission.

## For the Fiscal Year Ended June 30, 2007

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

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

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

#### *Fiduciary Funds:*

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

#### **C.** Measurement Focus

Government-wide Financial Statements:

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

#### Fund Financial Statements:

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

## Fayetteville-Perry Local School District Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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

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

#### **D.** Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions:

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 5). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

#### Deferred Revenue:

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

## Fayetteville-Perry Local School District Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures:

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

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

#### E. Cash and Cash Equivalents

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

During fiscal year 2007, the School District's investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio) and negotiable certificates of deposit. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2007. Negotiable CD's are reported at fair value.

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 2007 amounted to \$212,197, which includes \$17,867 assigned from other School District funds.

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

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

#### F. Inventory

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

#### **G.** Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

#### H. Capital Assets

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

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

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

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

#### Fayetteville-Perry Local School District Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2007

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

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

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and issuance costs are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Bond premiums are presented as an addition of the face amount of the bonds payable whereas issuance costs are recorded as deferred charges.

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

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

#### J. Compensated Absences

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

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

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

#### Fayetteville-Perry Local School District Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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

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

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

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

#### L. Net Assets

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

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

The government-wide Statement of Net Assets reports \$17,440,015 of restricted net assets, none of which are restricted by enabling legislation.

#### M. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute for fiscal year 2007.

# Fayetteville-Perry Local School District Notes to the Basic Financial Statements

## For the Fiscal Year Ended June 30, 2007

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

#### N. Internal Activity

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

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

#### O. Estimates

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

#### P. Budgetary Process

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

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

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

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

#### **NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

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

- 1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- 2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- 3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
- 4. Advances In and Advances Out are operating transactions (budget basis) as opposed to Balance Sheet transactions (GAAP basis).

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

#### **NOTE 3 - BUDGETARY BASIS OF ACCOUNTING** (continued)

Net Change in Fund Balance

Tiet enange in I and I	Buluitee
GAAP Basis	(\$883)
Adjustments:	
Revenue Accruals	(90,233)
Expenditure Accruals	167,954
Encumbrances	(134,259)
Advances	19,056
Budget Basis	(\$38,365)

#### **NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

#### **NOTE 4 - DEPOSITS AND INVESTMENTS** (continued)

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

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

#### **Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$5,341,065 of the School District's bank balance of \$5,741,065 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation (FDIC).

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

#### **NOTE 4 - DEPOSITS AND INVESTMENTS** (continued)

#### Investments

As of June 30, 2007, the School District had the following investments, which are in an internal investment pool:

Foir Walna

	rair value	Maturity
STAROhio	\$6,393,397	Average 35 Days
Negotiable certificates of deposit	500,000	Less than one year
Total Investments	\$6,893,397	

#### Interest Rate Risk

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

#### Credit Risk

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

#### **NOTE 5 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

#### Fayetteville-Perry Local School District Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2007

#### **NOTE 5 - PROPERTY TAXES** (continued)

Public utility property tax revenue received in calendar year 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006, and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2007 (other than public utility property tax) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30. This year, the June 2007 tangible personal property tax was not received until August 2007.

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, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2007 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed settlement of personal property tax and the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations and are reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2007, was \$482,870 in the General Fund, \$204,012 in the Debt Service Fund and \$33,588 in the Other Governmental Funds. The amount available as an advance at June 30, 2006, was \$393,755 in the General Fund, \$166,299 in the Debt Service Fund and \$28,457 in the Other Governmental Funds.

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

#### **NOTE 5 - PROPERTY TAXES** (continued)

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second -		2007 First -	
	Half Collections		Half Collections	
	Amount	Percentage	Amount	Percentage
Real Estate	\$73,052,490	96.13%	\$85,122,220	96.66%
Public Utility Personal	2,553,770	3.36%	2,570,770	2.92%
General Business Personal	387,933	0.51%	369,281	0.42%
Total Assessed Value	\$75,994,193	100.00%	\$88,062,271	100.00%
Tax rate per \$1,000 of				
assessed valuation	\$39.55		\$39.55	

#### **NOTE 6 - RECEIVABLES**

Receivables at June 30, 2007, consisted of intergovernmental grants and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. The School District expects to receive drawdowns on the OSFC Renovation Project grant through fiscal year 2010. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year. A summary of the principal items of intergovernmental receivables follows:

	Amounts
Governmental Activities:	
OSFC Renovation Project	\$14,050,646
Title VI-B	18,034
Lunchroom Reimbursement	14,456
\$10,000 Exemption	3,367
Total Intergovernmental Receivables	\$14,086,503

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

# **NOTE 7 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2007, was as follows:

	Balance at 6/30/06	Additions	Deductions	Balance at 6/30/07
Governmental Activities:	0/20/00	ridditions	Beddetions	0,20,01
Capital Assets Not Being Depreciated:				
Land	\$89,380	\$0	\$0	\$89,380
Construction in Progress	194,678	889,549	0	1,084,227
Total Capital Assets Not Being				
Depreciated	284,058	889,549	0	1,173,607
Capital Assets Being Depreciated:				
Land Improvements	898,920	0	0	898,920
Buildings and Improvements	12,916,005	0	0	12,916,005
Furniture, Fixtures and Equipment	1,127,843	0	0	1,127,843
Vehicles	1,008,905	68,400	0	1,077,305
Totals Capital Assets Being Depreciated	15,951,673	68,400	0	16,020,073
Less Accumulated Depreciation:				
Land Improvements	(885,004)	(685)	0	(885,689)
Building and Improvements	(2,727,401)	(308,537)	0	(3,035,938)
Furniture, Fixtures and Equipment	(714,414)	(54,299)	0	(768,713)
Vehicles	(607,401)	(69,911)	0	(677,312)
Total Accumulated Depreciation	(4,934,219)	(433,432) *	0	(5,367,652)
Total Capital Assets Being Depreciated, Net	11,017,454	(365,032)	0	10,652,421
Governmental Acitivies Capital Assets, Net	\$11,301,511	\$524,517	\$0	\$11,826,028

#### **NOTE 7 - CAPITAL ASSETS** (continued)

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

Instruction:	
Regular	\$157,215
Special	20,270
Vocational	2,433
Support Services:	
Pupils	2,433
Instructional Staff	33,838
Administration	20,547
Fiscal	7,638
Operation and Maintenance of Plant	54,981
Pupil Transportation	97,293
Operation of Non-Instructional Services - Food Services	33,245
Extracurricular Activities	3,539
Total Depreciation Expense	\$433,432

#### **NOTE 8 - RISK MANAGEMENT**

#### A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2007, the School District contracted with Indiana Insurance for general liability insurance with a \$2,000,000 single occurrence limit and a \$4,000,000 aggregate. Property is protected by Indiana Insurance Company and holds a \$1,000 deductible.

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

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

## **NOTE 8 - RISK MANAGEMENT** (continued)

#### **B.** Workers' Compensation

For fiscal year 2007, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Uniservice, Inc. provides administrative, cost control, and actuarial services to the GRP.

#### C. Employee Medical

The School District participates in the Brown County Schools Benefits Consortium (the Consortium), a public entity shared risk and insurance purchasing pool (Note 14) consisting of eight members. Medical coverage is purchased through Medical Mutual and the dental coverage is being provided through a shared risk pool based on its members' number of employees. The School District is responsible for providing a current listing of enrolled employees and for providing timely pro-rata payments of premiums to the Consortium for employee health coverage and dental benefits. The Consortium is responsible for the management and operation of the program. Upon termination from the Consortium, for any reason, the terminated member shall assume and be responsible for the payment of any delinquent contributions relating to the medical insurance and all dental claims related to its employees from the date of termination, regardless of the date such claims were incurred.

#### NOTE 9 - DEFINED BENEFIT PENSION PLANS

#### A. School Employee Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling toll-free (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

#### NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006 and 2005 were \$127,059, \$129,465 and \$123,750 respectively; 49.91 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

#### **B.** State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

#### NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005 were \$429,407, \$416,236, and \$384,117 respectively; 82.85 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$9,600 made by the School District and \$16,994 made by the plan members.

#### C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2007, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

#### **NOTE 10 - POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certificated 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 funded on a pay-as-you-go basis.

#### Fayetteville-Perry Local School District Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2007

#### **NOTE 10 - POSTEMPLOYMENT BENEFITS** (continued)

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$33,031 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282,743,000 and STRS Ohio had 119,184 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. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

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, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. 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 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$57,444.

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 projected claims less premium contributions for the next fiscal year. Expenses for health care at June 30, 2006, (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive benefits.

# Fayetteville-Perry Local School District Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

#### **NOTE 11 - EMPLOYEE BENEFITS**

#### A. Compensated Absences

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

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

#### **B. Special Termination Benefit**

The School District offers an Early Retirement Incentive program to all employees who are eligible to retire from either SERS or STRS. If an employee chooses to retire in the first year in which they become eligible, they will be compensated for one-half of the accrued, but unused sick leave credit to a maximum of 103 days.

#### C. Health Care Benefits

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

# **NOTE 12 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2007 were as follows:

	Amount Outstanding 6/30/06	Additions	Deductions	Amount Outstanding 6/30/07	Amounts Due in One Year
Governmental Activities:					
Various Purpose Bonds					
2003 4.10%	\$52,534	\$0	\$19,765	\$32,769	\$21,831
School Improvement Bonds					
1996 6.00%	1,820,000	0	1,705,000	115,000	115,000
School Improvement Bonds					
1995 6.25%	355,000	0	355,000	0	0
Classroom Facilities Bond Anticipation					
Notes 2006 3.75%	6,895,000	0	6,895,000	0	0
School Improvement Refunding					
Bonds 2006 3.75 - 4.50%	0	8,850,000	0	8,850,000	160,000
Premium on Refunding Bonds	0	127,282	3,028	124,254	0
Gain on Refunding	0	(102,192)	(2,439)	(99,753)	0
Compensated Absences	281,437	85,084	32,211	334,310	25,503
Total Governmental Activities					
Long-Term Obligations	\$9,403,971	\$8,960,174	\$9,007,565	\$9,356,580	\$322,334

#### Various Purpose Bonds 2003

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

Principal and interest requirements to retire the various purpose bonds at June 30, 2007, are as follows:

Various Purpose Bonds 2003			
Fiscal year			
Ending June 30,	Principal	Interest	Total
2008	\$21,831	\$1,103	\$22,934
2009	10,938	224	11,162
Total	\$32,769	\$1,327	\$34,096

#### Fayetteville-Perry Local School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2007

#### **NOTE 12 - LONG-TERM OBLIGATIONS** (continued)

#### School Improvement Bonds 1996

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

During the fiscal year, the School District retired \$90,000 in principal on these bonds. Then on November 1, 2006, the School District refunded \$1,615,000 of these bonds leaving \$115,000 due in 2008.

#### School Improvement Bonds 1995

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

During the fiscal year, the School District retired \$15,000 in principal on these bonds. Then on November 1, 2006, the School District refunded the remaining balance of these bonds of \$340,000.

#### Classroom Facilities Bond Anticipation Notes 2006

The School District issued \$6,895,000 in Bond Anticipation Notes for the purpose of renovating the middle school building and constructing a new building for grades six through twelve. The Notes were retired with proceeds from the refunding bonds during fiscal year 2007.

#### School Improvement Refunding Bonds 2006

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

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

## **NOTE 12 - LONG-TERM OBLIGATIONS** (continued)

Fiscal Year	Amount
2017	\$440,000
2018	260,000
2019	230,000
2020	240,000
2021	255,000
Total	\$1,425,000

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

Fiscal Year	Amount
2022	\$265,000
2023	275,000
2024	285,000
2025	300,000
2026	310,000
Total	\$1,435,000

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

Amount
\$325,000
340,000
355,000
370,000
385,000
405,000
420,000
\$2,600,000

#### **NOTE 12 - LONG-TERM OBLIGATIONS** (continued)

The advance refunding of the 1996 School Improvement Bonds resulted in a difference of \$102,192 between the net carrying amount of the debt and the acquisition price. This difference, reported in the accompanying financial statements as a decrease to bonds payable, is being amortized to interest expense over the life of the bonds using the straight-line method. The School District's total debt service payments decreased by \$156,973 as a result of the advance refunding. The School District also incurred an economic gain (difference between the present values of the old and new debt service payments) of \$40,445.

The current refunding of the 1995 School Improvement Bonds resulted in the School District's total debt service payments decreasing by \$89,840. The School District also incurred an economic gain (difference between the present values of the old and new debt service payments) of \$55,287.

The School District defeased the 1996 School Improvement Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments due on the old bonds. Accordingly, the trust assets and the liability of the defeased bonds are not included in the School District's financial statements. As of June 30, 2007, \$1,615,000 of the bonds was unmatured and unpaid.

As of June 30, 2007, all of the bond proceeds had been spent, however, \$5,810,773 of the original note proceeds were unspent.

Principal and interest requirements to retire the school improvement refunding bonds outstanding at June 30, 2007, are as follows:

School Improvement Refunding Bonds 2007

Fiscal year	5	•	<b>T</b> 1
Ending June 30,	Principal	Interest	Total
2008	\$160,000	\$373,222	\$533,222
2009	295,000	364,691	659,691
2010	300,000	353,460	653,460
2011	335,000	341,311	676,311
2012	345,000	328,135	673,135
2013-2017	1,955,000	1,412,224	3,367,224
2018-2022	1,425,000	1,031,944	2,456,944
2023-2027	1,435,000	746,061	2,181,061
2028-2032	1,775,000	392,065	2,167,065
2033-2034	825,000	37,463	862,463
Total	\$8,850,000	\$5,380,576	\$14,230,576

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

#### **NOTE 12 - LONG-TERM OBLIGATIONS** (continued)

The School District's overall legal debt margin was (\$163,274) with an unvoted debt margin of \$86,972 at June 30, 2007. Ohio Revised Code section 133.06(I) allows a school district to incur net indebtedness in excess of the legal debt limitation when necessary to raise the school district's local portion of Ohio School Facilities construction project cost.

#### **NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS**

#### A. South Central Ohio Computer Association

The School District is a participant in the South Central Ohio Computer Association (SCOCA), which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Adams, Brown, Highland, Pike, Ross, Scioto, Vinton, Jackson, Lawrence, Pickaway, and Gallia Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District paid SCOCA \$50,350 for services provided during the fiscal year. Financial information can be obtained from the fiscal agent, the Pike County Joint Vocational School District, P.O. Box 577, 175 Beaver Creek Rd., Piketon, Ohio, 45661.

#### B. Hopewell Special Education Regional Resource Center

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. Eighteen 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 advisory board. The advisory board is made up of superintendents from the eighteen school districts or their designee, plus a representative from the Southern Ohio Educational Service Center, 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 Southern Ohio 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 Southern Ohio Educational Service Center, 3321 Airborne Drive, Wilmington, Ohio, 45177.

#### NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS (continued)

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

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

#### D. Unified Purchasing Cooperative of the Ohio River Valley

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

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

During fiscal year 2007, the School District paid \$450 to the UPC. Financial information can be obtained from Don Rabe, Treasurer, Hamilton County Educational Service Center, at 11083 Hamilton Avenue, Cincinnati, Ohio, 45231.

#### NOTE 14 - PUBLIC ENTITY SHARED RISK AND INSURANCE PURCHASING POOL

#### **Brown County Schools Benefits Consortium**

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

#### **NOTE 15 - INSURANCE PURCHASING POOL**

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

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

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

#### NOTE 16 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	Textbooks and	
	Instructional	Capital
	Materials	Acquisition
Set-aside Reserve Balance as of June 30, 2006	(\$435,560)	\$0
Current Fiscal Year Set-aside Requirement	151,279	151,279
Current Fiscal Year Offsets	0	(117,779)
Qualifying Disbursements	(292,696)	(249,299)
Totals	(\$576,977)	(\$215,799)
Set-aside Reserve Balance as of June 30, 2007	\$0	\$0
Required Set-aside Balances Carried Forward to FY 2008	(\$576,977)	\$0

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

#### **NOTE 17 - 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, 2007.

# **NOTE 17 - CONTINGENCIES** (continued)

#### **B.** Litigation

The School District is not party to any legal proceedings.

#### **NOTE 18 – CONSTRUCTION COMMITMENTS**

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

	Total Contract	Amount	Balance at
Contractor	Amount	Expended	6/30/2007
Steed Hammond Paul	\$1,080,241	\$490,048	\$590,193
Sunesis Construction	1,608,850	0	1,608,850
Stan and Associates	32,566	5,618	26,948
Total	\$2,721,657	\$495,666	\$2,225,991



# Mary Taylor, CPA Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fayetteville-Perry Local School District, Brown County, Ohio (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 8, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' Government Auditing Standards.

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

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

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

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

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

We noted certain matters that we reported to the District's management in a separate letter dated April 8, 2008.

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

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

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated April 8, 2008.

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

Mary Taylor, CPA Auditor of State

Mary Taylor

April 8, 2008



# Mary Taylor, CPA Auditor of State

#### **FAYETTEVILLE-PERRY LOCAL SCHOOL DISTRICT**

#### **BROWN COUNTY**

#### **CLERK'S CERTIFICATION**

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

**CLERK OF THE BUREAU** 

Susan Babbitt

CERTIFIED APRIL 24, 2008