



Dave Yost • Auditor of State

FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fayette Local School District, Fulton County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fayette Local School District, Fulton County, Ohio, as of June 30, 2013, and the respective changes in cash financial position and the respective budgetary comparison for the General and Classroom Facilities Maintenance funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the District's financial statements that collectively comprise its basic financial statements.

Management's Discussion and Analysis includes tables of net assets, changes in net assets and governmental activities. This information provides additional analysis and is not a required part of the basic financial statements.

These tables are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

October 29, 2013

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**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013
Unaudited**

The discussion and analysis of the Fayette Local School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Highlights

Highlights for fiscal year 2013 are as follows:

In total, net position increased \$12,087 from prior fiscal year. There was a 91 percent increase in revenues and a 92 percent increase in expenses. These increases were attributed to the refunding of the 2006 school improvement bonds.

General revenues accounted for 92 percent of total revenues and reflect the District's significant dependence on property taxes and unrestricted state entitlements.

Using the Basic Financial Statements

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

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

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other non-major funds presented in total in a single column.

For the District, the General Fund is the most significant fund. The General Fund, the Bond Retirement Fund, and the Classroom Facilities Maintenance Fund are the District's major funds.

Reporting the District as a Whole

Statement of Net Position and Statement of Activities

The statement of net position and the statement of activities, both reported on the cash basis, reflect how the District performed financially during fiscal year 2013. These statements are reported on a cash basis of accounting which reflects receipts and disbursements when cash is received or disbursed.

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

In the cash basis statement of net position and the statement of activities, the District discloses a single type of activity, its governmental activities which include all of the District's programs and services are

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013
Unaudited
(Continued)**

reported here including instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

Reporting the District’s Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District’s major funds. While the District uses many funds to account for its financial transactions, the fund financial statements focus on the District’s most significant funds. The District’s major funds are the General Fund, the Bond Retirement Fund, and the Classroom Facilities Maintenance Fund.

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

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

The District as a Whole

Table 1 provides a summary of the District’s net position for fiscal year 2013 compared to fiscal year 2012.

**Table 1
Net Position – Cash Basis
Governmental Activities**

	2013	2012
<u>Assets:</u>		
Cash and Cash Equivalents	\$2,476,834	\$2,464,747
<u>Net Position:</u>		
Restricted	\$1,056,556	\$987,866
Unrestricted	1,420,278	1,476,881
Total	\$2,476,834	\$2,464,747

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013
Unaudited
(Continued)**

Table 2 reflects the changes in net position for fiscal year 2013 compared to fiscal year 2012.

**Table 2
Change in Net Position – Cash Basis
Governmental Activities**

	2013	2012
Revenues:		
Program Revenues:		
Charges for Services and Sales	\$315,036	\$349,926
Operating Grants and Contributions	503,048	499,418
Total Program Revenues	818,084	849,344
General Revenues:		
Property Taxes	1,339,411	1,295,897
Income Taxes	404,863	406,485
Grants and Entitlements	2,673,971	2,782,910
Gifts and Donations	8,992	17,306
Investment Earnings	8,754	17,645
Miscellaneous	47,446	23,087
Refunding Bonds Issued	4,399,994	
Premium on Refunding Bonds Issued	666,386	
Refund of Prior Year Expenditures		40,981
Total General Revenues	9,549,817	4,584,311
Total Revenues	10,367,901	5,433,655
Expenses:		
Instruction	2,948,815	2,907,010
Support Services:		
Pupils	286,686	283,678
Instructional Staff	205,081	192,651
Board of Education	12,528	12,005
Administration	382,125	396,756
Fiscal	172,267	168,917
Operation and Maintenance of Plant	394,703	424,677
Pupil Transportation	229,409	233,295
Central	10,165	18,244
Non-Instructional	212,550	213,344
Extracurricular Activities	197,547	191,994
Capital Outlay	3,352	13,813
Debt Service:		
Principal	4,530,000	125,000
Interest and Fiscal Charges	104,206	205,356
Issuance Costs	128,582	
Advance Refunding Escrow	537,798	
Total Expenses	10,355,814	5,386,740
Increase in Net Position	\$12,087	\$46,915

Program receipts account for 8 percent of total receipts and are represented by restricted intergovernmental receipts, extracurricular activities, and food service sales.

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013
Unaudited
(Continued)**

The major program disbursements for governmental activities are for instruction, which accounts for 28 percent of all governmental disbursements. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for 7 percent of governmental disbursements. Maintenance of the District's facilities also represents significant disbursements of 4 percent. Debt service payments including the refunding of an old debt issue represents a significant disbursement of 51 percent. The remaining 10 percent of the District's disbursements are related to the primary functions of delivering education and providing facilities. These costs are funded almost entirely from property taxes and grants and entitlements.

Governmental Activities

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

**Table 3
Governmental Activities**

	<u>Total Cost of Services</u> <u>2013</u>	<u>Net Cost of Services</u> <u>2013</u>	<u>Total Cost of Services</u> <u>2012</u>	<u>Net Cost of Services</u> <u>2012</u>
Instruction	\$2,948,815	\$2,472,105	\$2,907,010	\$2,435,421
Support Services:				
Pupils	286,686	285,637	283,678	263,734
Instructional Staff	205,081	167,682	192,651	156,388
Board of Education	12,528	12,528	12,005	12,005
Administration	382,125	382,125	396,756	384,048
Fiscal	172,267	172,267	168,917	168,917
Operation and Maintenance of Plant	394,703	394,663	424,677	423,868
Pupil Transportation	229,409	220,409	233,295	227,965
Central	10,165	9,125	18,244	13,497
Non-Instructional	212,550	30,958	213,344	18,974
Extracurricular Activities	197,547	86,293	191,994	88,410
Capital Outlay	3,352	3,352	13,813	13,813
Debt Service:				
Principal	4,530,000	4,530,000	125,000	125,000
Interest and Fiscal Charges	104,206	104,206	205,356	205,356
Issuance Costs	128,582	128,582		
Advance Refunding Escrow	537,798	537,798		
Total Expenses	<u>\$10,355,814</u>	<u>\$9,537,730</u>	<u>\$5,386,740</u>	<u>\$4,537,396</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 83 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 92 percent. The remaining 8 percent are derived from tuition and fees, specific grants, and donations.

The District's Funds

The District's governmental funds are accounted for using the cash basis of accounting.

For the General Fund, fund balance decreased \$60,153 or 4 percent from the prior fiscal year. The decrease is a result of a decrease in overall revenues.

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013
Unaudited
(Continued)**

For the Bond Retirement Fund, fund balance increased \$112,238 or 69 percent from the prior fiscal year. The increase is a result of a decrease in debt service interest expenditures.

The Classroom Facilities Maintenance Fund's balance decreased \$29,787 or 7 percent from the prior fiscal year. The decrease is a result of overall maintenance work expenditures.

General Fund Budgeting Highlights

The 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. The most significant budgeted fund is the General Fund. During the course of fiscal year 2013, the District amended its General Fund budget as needed.

Original to final budget and final budget to actual revenues and other financing sources varied by less than 1 and 2 percent, respectively.

Original to final budgeted disbursements varied by less than 1 percent. Actual were 6 percent less than the final budgeted amounts. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

Debt Administration

The District's outstanding debt at fiscal year-end consisted of general obligation bonds, in the amount of \$4,755,751.

For further information regarding the District's long-term obligations, see the notes to the basic financial statements.

Current Issues

The District's wind turbine constructed in December 2010 has not yet been fully operational and in April 2013, one blade fell off, which has caused the wind turbine to be out of the power generating mode for the District. Currently, the issue is trying to be resolved among the manufacturer, installer, and District's attorney. No legal action has been initiated at this point.

In 2013, the District housed the Headstart program within the facility. The program was supervised by the Northwest Ohio Educational Service Center. This change eliminated the transportation of preschool students to Pulaski for education and will continue for the 2013-2014 school year.

The Board of Education has established a virtual academy at the District, beginning in August 2013. This academy offers District students more online course opportunities. In addition, this will be available for home schooled students within the District and potentially to open enrolled students from other districts. The academy will also include an option for credit recovery. The District will have one instructor overseeing the virtual academy on a part time basis for a blended learning environment.

Long term planning continues on the development of the outside athletic fields. This plan consists of track, baseball and softball fields, and a concession and restroom facility.

Contacting the District's Financial Management

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives.

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013
Unaudited
(Continued)**

Questions concerning any of the information in this report or request for additional information should be directed to Kelly Bentley, Treasurer, Fayette Local School District, 400 East Gamble Road, Fayette, OH 43521-9462.

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Net Position - Cash Basis
June 30, 2013**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>2,476,834</u>
Net Position:	
Restricted for Debt Service	274,231
Restricted for Capital Outlay	103,849
Restricted for Other Purposes	678,476
Unrestricted	1,420,278
<i>Total Net Position</i>	\$ <u>2,476,834</u>

See Accompanying Notes to the Basic Financial Statements

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2013**

	Program Revenues		Net(Expense) Revenue and Changes in Net Position
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:			
Instruction:			
Regular	\$ 2,162,590	\$ 129,082	\$ 49,506
Special	683,908		298,122
Vocational	102,133		
Other	184		
Support Services:			
Pupils	286,686		1,049
Instructional Staff	205,081		37,399
Board of Education	12,528		
Administration	382,125		
Fiscal	172,267		
Operation and Maintenance of Plant	394,703	40	
Pupil Transportation	229,409		9,000
Central	10,165		1,040
Operation of Non-Instructional Services	212,550	74,660	106,932
Extracurricular Activities	197,547	111,254	
Capital Outlay	3,352		
Debt Service:			
Principal	4,530,000		
Interest and Fiscal Charges	104,206		
Issuance Costs	128,582		
Advance Refunding Escrow	537,798		
Totals	\$ 10,355,814	\$ 315,036	\$ 503,048
General Revenues:			
Taxes:			
Property Taxes, Levied for General Purposes			1,039,894
Property Taxes, Levied for Debt Service			283,433
Property Taxes, Levied for Capital Maintenance			16,084
Income Taxes			404,863
Grants and Entitlements not Restricted to Specific Programs			2,673,971
Gifts and Donations			8,992
Investment Earnings			8,754
Miscellaneous			47,446
Refunding Bonds Issued			4,399,994
Premium on Refunding Bonds Issued			666,386
<i>Total General Revenues</i>			<u>9,549,817</u>
<i>Change in Net Position</i>			12,087
<i>Net Position Beginning of Year</i>			<u>2,464,747</u>
<i>Net Position End of Year</i>			<u>\$ 2,476,834</u>

See Accompanying Notes to the Basic Financial Statements

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2013**

	General Fund	Bond Retirement Fund	Classroom Facilities Maintenance Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ <u>1,436,379</u>	\$ <u>274,231</u>	\$ <u>421,013</u>	\$ <u>345,211</u>	\$ <u>2,476,834</u>
Fund Balances:					
Restricted		\$ 274,231	\$ 421,013	\$ 147,311	\$ 842,555
Committed				199,990	199,990
Assigned	\$ 56,140				56,140
Unassigned (Deficit)	<u>1,380,239</u>			<u>(2,090)</u>	<u>1,378,149</u>
<i>Total Fund Balances</i>	<u>\$ 1,436,379</u>	<u>\$ 274,231</u>	<u>\$ 421,013</u>	<u>\$ 345,211</u>	<u>\$ 2,476,834</u>

See Accompanying Notes to the Basic Financial Statements

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Cash Basis Receipts, Disbursements and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2013**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Classroom Facilities Maintenance Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:					
Property and Other Local Taxes	\$ 1,039,894	\$ 283,433	\$ 16,084		\$ 1,339,411
Income Tax	404,863				404,863
Intergovernmental	2,640,644	70,599	18,198	\$ 447,578	3,177,019
Interest	8,130			624	8,754
Tuition and Fees	129,082				129,082
Rent	40				40
Extracurricular Activities	35,911			75,343	111,254
Gifts and Donations	8,992				8,992
Customer Sales and Services				74,660	74,660
Miscellaneous	28,521			18,925	47,446
<i>Total Receipts</i>	<u>4,296,077</u>	<u>354,032</u>	<u>34,282</u>	<u>617,130</u>	<u>5,301,521</u>
Disbursements:					
Current:					
Instruction:					
Regular	2,126,466			36,124	2,162,590
Special	424,119			259,789	683,908
Vocational	102,133				102,133
Other	184				184
Support Services:					
Pupils	285,418			1,268	286,686
Instructional Staff	165,204			39,877	205,081
Board of Education	12,528				12,528
Administration	380,763			1,362	382,125
Fiscal	162,648	7,588	431	1,600	172,267
Operation and Maintenance of Plant	330,975		63,638	90	394,703
Pupil Transportation	220,409			9,000	229,409
Central	8,671			1,494	10,165
Operation of Non-Instructional Services	3,500			209,050	212,550
Extracurricular Activities	133,212			64,335	197,547
Capital Outlay				3,352	3,352
Debt Service:					
Principal		4,530,000			4,530,000
Interest		104,206			104,206
Issuance Costs		128,582			128,582
Advance Refunding Escrow		537,798			537,798
<i>Total Disbursements</i>	<u>4,356,230</u>	<u>5,308,174</u>	<u>64,069</u>	<u>627,341</u>	<u>10,355,814</u>
<i>Excess Disbursements Over Receipts</i>	<u>(60,153)</u>	<u>(4,954,142)</u>	<u>(29,787)</u>	<u>(10,211)</u>	<u>(5,054,293)</u>
Other Financing Sources:					
Refunding Bonds Issued		4,399,994			4,399,994
Premium on Refunding Bonds Issued		666,386			666,386
<i>Total Other Financing Sources</i>		<u>5,066,380</u>			<u>5,066,380</u>
<i>Net Change in Fund Balances</i>	<u>(60,153)</u>	<u>112,238</u>	<u>(29,787)</u>	<u>(10,211)</u>	<u>12,087</u>
Fund Balances at Beginning of Year	1,496,532	161,993	450,800	355,422	2,464,747
<i>Fund Balances at End of Year</i>	<u>\$ 1,436,379</u>	<u>\$ 274,231</u>	<u>\$ 421,013</u>	<u>\$ 345,211</u>	<u>\$ 2,476,834</u>

See Accompanying Notes to the Basic Financial Statements

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Receipts, Disbursements and Changes
In Fund Balance - (Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Receipts:				
Property and Other Local Taxes	\$ 1,039,915	\$ 1,039,915	\$ 1,039,894	\$ (21)
Income Tax	415,041	415,041	404,863	(10,178)
Intergovernmental	2,656,883	2,657,426	2,640,644	(16,782)
Interest	15,000	15,000	8,130	(6,870)
Tuition and Fees	136,000	136,000	129,082	(6,918)
Rent	500	500	40	(460)
Gifts and Dontations	10,000	10,000	7,207	(2,793)
Miscellaneous	25,000	50,000	28,521	(21,479)
<i>Total Receipts</i>	<u>4,298,339</u>	<u>4,323,882</u>	<u>4,258,381</u>	<u>(65,501)</u>
Disbursements:				
Current:				
Instruction:				
Regular	2,149,848	2,146,545	2,100,597	45,948
Special	451,019	493,019	424,119	68,900
Vocational	103,741	103,741	102,133	1,608
Other	2,250	2,250	184	2,066
Support Services:				
Pupils	296,323	296,323	285,418	10,905
Instructional Staff	192,255	185,355	160,190	25,165
Board of Education	25,720	25,990	13,526	12,464
Administration	427,419	417,036	393,693	23,343
Fiscal	174,860	178,860	163,398	15,462
Operation and Maintenance of Plant	338,100	341,817	336,722	5,095
Pupil Transportation	256,190	262,190	227,219	34,971
Central	31,300	31,300	8,671	22,629
Operation of Non-Instructional Services	3,500	3,500	3,500	
Extracurricular Activities	138,450	138,450	133,212	5,238
Capital Outlay	2,500	2,500		2,500
<i>Total Disbursements</i>	<u>4,593,475</u>	<u>4,628,876</u>	<u>4,352,582</u>	<u>276,294</u>
<i>Net Change in Fund Balance</i>	(295,136)	(304,994)	(94,201)	210,793
Fund Balance at Beginning of Year	1,453,394	1,453,394	1,453,394	
Prior Year Encumbrances Appropriated	21,386	21,386	21,386	
Fund Balance at End of Year	<u>\$ 1,179,644</u>	<u>\$ 1,169,786</u>	<u>\$ 1,380,579</u>	<u>\$ 210,793</u>

See Accompanying Notes to the Basic Financial Statements

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Receipts, Disbursements and Changes
In Fund Balance - (Budgetary Basis)
Classroom Facilities Maintenance Fund
For the Fiscal Year Ended June 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Receipts:				
Property and Other Local Taxes	\$ 15,831	\$ 15,831	\$ 16,084	\$ 253
Intergovernmental	<u>18,026</u>	<u>18,026</u>	<u>18,198</u>	<u>172</u>
<i>Total Receipts</i>	<u>33,857</u>	<u>33,857</u>	<u>34,282</u>	<u>425</u>
Disbursements:				
Current:				
Support Services:				
Fiscal	625	625	431	194
Operation and Maintenance of Plant	<u>125,605</u>	<u>143,605</u>	<u>69,651</u>	<u>73,954</u>
<i>Total Disbursements</i>	<u>126,230</u>	<u>144,230</u>	<u>70,082</u>	<u>74,148</u>
Net Change in Fund Balance	(92,373)	(110,373)	(35,800)	74,573
Fund Balance at Beginning of Year	431,195	431,195	431,195	
Prior Year Encumbrances Appropriated	<u>19,065</u>	<u>19,605</u>	<u>19,605</u>	
Fund Balance at End of Year	<u>\$ 357,887</u>	<u>\$ 340,427</u>	<u>\$ 415,000</u>	<u>\$ 74,573</u>

See Accompanying Notes to the Basic Financial Statements

FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY

Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2013

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
Assets:		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ <u>120,682</u>	\$ <u>36,073</u>
Liabilities:		
Current Liabilities:		
Undistributed Monies		\$ <u>36,073</u>
Net Position:		
Held in Trust for Scholarships	\$ <u>120,682</u>	

See Accompanying Notes to the Basic Financial Statements

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Fiduciary Net Position - Cash Basis
Fiduciary Fund
For the Fiscal Year Ended June 30, 2013**

	<u>Private Purpose Trust</u>
Additions:	
Interest	\$ 175
Gifts and Contributions	<u>105,473</u>
<i>Total Additions</i>	<u>105,648</u>
Deductions:	
Payments in Accordance with Trust Agreements	<u>150</u>
<i>Change in Net Position</i>	105,498
Net Position Beginning of Year	<u>15,184</u>
<i>Net Position End of Year</i>	<u>\$ 120,682</u>

See Accompanying Notes to the Basic Financial Statements

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The District is the 590th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 13 classified employees, 34 certified teaching personnel, and 8 administrative employees who provide services to 470 students and other community members.

The Reporting Entity

A. Primary Government

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

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District does not have any component units.

C. Jointly Governed Organizations and Purchasing Pools

The District is associated with four jointly governed organizations, three insurance pools, and one related organization. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Northwestern Ohio Educational Research Council, Inc., the Ohio School Plan, the Northern Buckeye Health Plan Employee Insurance Benefits Program, the Northern Buckeye Health Plan Workers' Compensation Group Rating Plan, and the Normal Memorial Library. These organizations are presented in Notes 16, 17, and 18 to the basic financial statements.

The District's management believes these financial statements present all activities for which the District is financially accountable.

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the District's accounting policies.

A. Basis of Presentation

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

1. Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the cash balance of the governmental activities of the District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the District's general receipts.

2. Fund Financial Statements

During the fiscal year, the District segregates transactions related to certain 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 District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, receipts, or disbursements of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type, and

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- b. Total assets, receipts, or disbursements of that individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.

B. Fund Accounting

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

1. Governmental Funds:

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g., grants), and other non-exchange transactions as governmental funds. The General Fund, the Bond Retirement Fund, and the Classroom Facilities Maintenance Fund are the District's major governmental funds:

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

Bond Retirement Fund - The Bond Retirement Fund is used to account for the accumulation of resources for the payment of long-term debt principal, interest, and related costs.

Classroom Facilities Maintenance Fund – The Classroom Facilities Maintenance Fund is used to account for tax revenues and expenses for the maintenance of the instructional building and grounds.

The other governmental funds of the District account for grants and other resources, and capital projects of the District whose uses are restricted to a particular purpose.

2. Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. 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 District under a trust agreement for individuals, private organizations, or other governments and are not available to support the District's own programs. The District's private purpose trust fund accounts for college scholarships for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's Agency funds account for various student managed activities.

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

Although the Ohio Administrative Code § 117-2-03(B) requires that the District's financial report to follow generally accepted accounting principles, the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. This is a comprehensive basis of accounting other than generally accepted accounting principles.

The District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

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

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

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

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. Expenditures plus encumbrances may not legally exceed appropriations.

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

E. Cash and Investments

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

For presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

During fiscal year 2013, investments included repurchase agreements, federal agency securities, and money market mutual funds. Investments are reported at cost, except for the money market mutual funds. The District's money market mutual funds are recorded at the amounts reported by Reliance Financial Services at June 30, 2013.

The Board of Education allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year 2013 was \$8,130, which includes \$1,463 assigned from other District funds.

F. Inventory and Prepaid Items

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

H. Compensated Absences

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's cash basis of accounting.

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Long-Term Obligations

The District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither other financing source nor capital outlay expenditure is reported at inception. Lease payments are reported when paid.

K. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. The District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements. Interfund transfers and advances are reported as other financing sources/uses in governmental funds. Repayment from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

L. Net Position

Net position is reported as restricted when there are limitations imposed on its' use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position is available.

M. Fund Balance

Fund Balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon use of the resources in governmental funds. The classifications are as follows:

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

3. CHANGE IN ACCOUNTING PRINCIPLE

For 2013, the District implemented Governmental Accounting Standard Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the District's 2013 financial statements; however, there was no effect on beginning net position/fund balance.

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budgetary Basis presented for the General Fund and Classroom Facilities Maintenance Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a restricted, committed or assigned fund balance (cash basis) and certain funds included in the General Fund as part of the GASB 54 requirements are not included in the budgetary statement.

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budget basis statement for the General and Classroom Facilities Maintenance funds:

Net Change in Fund Balance	General Fund	Classroom Facilities Maintenance Fund
Cash Basis (as reported)	(\$60,153)	(\$29,787)
Outstanding Encumbrances	(30,049)	(6,013)
Perspective Difference:		
Activity of Funds Reclassified for Cash Reporting Purposes	(3,999)	
Budgetary Basis	(\$94,201)	(\$35,800)

5. DEPOSITS AND INVESTMENTS

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

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

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

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 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;

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

5. 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 provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and to be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations provided that investments in securities described in this division are made through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Bankers' acceptances and commercial paper 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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end, the District had \$1,370 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$817,646 of the District's bank balance of \$1,440,932 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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

Investments

As of June 30, 2013, the District had the following investments.

	<u>Cost</u>	<u>Maturity</u>
Federal Farm Credit Bank Bonds	\$28,137	06/01/2015
Federal Home Loan Bank Bonds	154,922	07/29/2016
Federal Home Loan Bank Bonds	79,165	09/11/2015
Federal Home Loan Bank Bonds	22,606	06/12/2015
Federal Home Loan Bank Bonds	22,876	12/12/2014
Federal Home Loan Bank Bonds	26,234	01/06/2016
Federal Home Loan Bank Bonds	11,303	06/12/2015
Federal National Mortgage Association Notes	74,925	10/30/2017
Federal Home Loan Mortgage Corporation Notes	125,625	12/23/2013
Federal Home Loan Mortgage Corporation Notes	101,340	08/27/2014
Money Market Mutual Fund	162,923	Average 32 Days
Repurchase Agreement	422,345	
	<u>\$1,232,401</u>	

Interest rate risk - Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The 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 District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

Credit Risk - The Federal Farm Credit Bonds, Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Bank Bonds and the money market mutual funds carry a rating of Aaa by Moody's. The District has no policy regarding credit risk beyond the requirements of State statute. Ohio law requires that mutual funds must be rated, at the time of purchase, in the highest category by at least one nationally recognized standard rating service. Repurchase agreements are limited to US Treasury bills, bonds, notes or any other obligation or security issued by the US Treasury or any other obligation guaranteed as to principal and interest by the US bonds, notes, debentures, or any other obligation or security issued by a federal government agency.

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment in the repurchase agreement, Federal Farm Credit Bonds, Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes and Federal Home Loan Bank Bonds are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk - The District places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers' acceptance to 25 percent of the interim monies available for investment at any one time. The following table indicates the percentage of each investment to the District's total portfolio.

	<u>Cost</u>	<u>Percentage of Portfolio</u>
Federal Farm Credit Bank Bonds	\$28,137	2.28%
Federal Home Loan Bank Bonds	317,106	25.73%
Federal National Mortgage Association Notes	74,925	6.08%
Federal Home Loan Mortgage Corporation Notes	226,965	18.42%

6. INCOME TAX

In 1991, the voters of Fayette Local School District passed a 1.00 percent continuing school income tax on wages earned by residents of the District. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are credited to the General Fund.

7. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes for 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

7. PROPERTY TAXES (Continued)

The District receives property taxes from Fulton County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second- Half Collections		2013 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$39,810,760	87%	\$39,603,920	87%
Industrial/Commercial	3,862,490	8%	3,534,140	8%
Public Utility	2,112,600	5%	2,272,740	5%
Total Assessed Value	<u>\$45,785,850</u>	<u>100%</u>	<u>\$45,410,800</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$55.30		\$55.30	

8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance at 6/30/12	Additions	Reductions	Balance at 6/30/13
Governmental Activities				
Land	\$321,608			\$321,608
Construction in Progress	873,835			873,835
Land Improvements	33,528	\$2,748		36,276
Buildings and Building Improvements	16,791,443	26,433		16,817,876
Furniture, Fixtures, and Equipment	738,489	8,848	\$8,778	738,559
Vehicles	504,137	3,550		507,687
Total Capital Assets	<u>\$19,263,040</u>	<u>\$41,579</u>	<u>\$8,778</u>	<u>\$19,295,841</u>

9. RISK MANAGEMENT

A. Comprehensive

The District maintains comprehensive insurance coverage with the Ohio School Plan for liability, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are fully insured.

The District joined together with other school districts in Ohio to participate in the Ohio School Plan (Plan), a public entity insurance purchasing pool (Note 17). Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

9. RISK MANAGEMENT (Continued)

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

B. Employee Insurance Benefits Program

The District participates in the Northern Buckeye Health Plan (NBHP), Northwest Division of Optimal Health Initiative Consortium (OHI), a self insurance pool (Note 17), for insurance benefits to employees. The District pays monthly premiums to NBHP for the benefits offered to its employees, which includes health, dental, and life insurance. NBHP is responsible for the management and operations of the program. The agreement with NBHP provides for additional assessment to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from NBHP, a participant is responsible for any claims not processed and paid and any related administrative costs.

C. Workers' Compensation Group Program

The District participates in the Northern Buckeye Health Plan, Northern Division of OHI Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 17). The Plan is intended to reduce premiums for the participants. 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 Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. The Executive Director of the NBHP coordinates the management and administration of the program.

Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

10. DEFINED PENSION BENEFIT PLANS

A. State Teachers Retirement System

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

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

10. DEFINED PENSION BENEFIT PLANS (Continued)

Plan Options - New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the the DC Plan and the Combined Plan are credited to member account as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years or credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of year’s service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 year, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contribution and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. 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 members account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1 % of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

**FAYETTE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

10. DEFINED PENSION BENEFIT PLANS (Continued)

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternately receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program included hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Funding Policy - For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2012, 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 District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011 were \$256,874, \$289,589 and \$262,824, respectively; 88 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

B. School Employee Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by visiting the SERS website at www.ohsers.org, under Forms and Publications.

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

10. DEFINED PENSION BENEFIT PLANS (Continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended up to statutory maximum amounts by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2013, the allocation to pension and death benefits is 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$79,474, \$88,263 and \$72,081, respectively; 80 percent has been contributed to fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2013, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages.

11. POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$19,760, \$22,276, and \$20,217, respectively; 88 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**FAYETTE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

11. POSTEMPLOYMENT BENEFITS (Continued)

B. School Employee Retirement System

Postemployment Benefits – In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (STRS) administers two postemployment benefit plans.

Medicare Part B Plan – The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2013, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012 and 2011 was \$4,489, \$5,214, and \$4,639, respectively; 80 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

Health Care Plan – ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code Section 401h. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2013, the health care allocation is 0.16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$8,382, \$11,234, and \$16,139, respectively; 9 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**FAYETTE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

11. POSTEMPLOYMENT BENEFITS (Continued)

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

12. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Health Care Benefits

The District provides medical, dental, vision, and life insurance to most employees through the OHI Employee Insurance Benefits Program.

C. Separation Benefits

The District provides a separation benefit to eligible certified employees. A full-time employee eligible to retire under the provisions of the State Teachers Retirement System that has five years of service with the District will be paid \$500 for each year served in the first year eligible to retire, if notification of pending retirement is submitted in writing to the Board no later than April 1 for retirement effective at the end of the current school year or prior to the following school year.

13. LONG-TERM OBLIGATIONS

During the year ended June 30, 2013, the following changes occurred in obligations reported in the government-wide financial statements:

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

13. LONG-TERM OBLIGATIONS (Continued)

	<u>Balance at 06/30/12</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 06/30/13</u>	<u>Amounts Due In One Year</u>
Governmental Activities					
General Obligation Bonds					
FY 2013 Refunding Bonds					
Serial A Bonds		\$725,000		\$725,000	\$105,000
Term A Bonds		3,110,000		3,110,000	
Capital Appreciation A Bonds		114,994		114,994	
Term B Bonds		390,000		390,000	
Capital Appreciation B Bonds		60,000		60,000	
FY2006 School Improvement					
Refunding Bonds					
Serial Bonds 4-4.5%	\$450,000		\$450,000		
FY2006 General Obligation Bonds					
Serial Bonds 3.75-4%	265,000		130,000	135,000	135,000
Term Bonds 4-4.55%	3,950,000		3,950,000		
Capital Appreciation Bonds 12.76%	89,999			89,999	
Accretion of Capital Appreciation Bonds	105,073	25,685		130,758	
Total General Obligation Bonds	<u>\$4,860,072</u>	<u>\$4,425,679</u>	<u>\$4,530,000</u>	<u>\$4,755,751</u>	<u>\$240,000</u>

FY 2013 Refunding Bonds - On April 29, 2013, the District issued \$4,399,994 in bonds to refund the 2006 school improvement serial bonds, 2006 general obligation term bonds. The series A bond issue included serial, term, and capital appreciation bonds, in the original amount of \$725,000, \$3,110,000, and \$114,994, respectively. The series B bond issue included term and capital appreciation bonds, in the original amount of \$390,000 and \$60,000, respectively. The bonds were issued for a twenty-three year period, with final maturity during fiscal year 2035. The bonds will be retired through the Bond Retirement debt service fund.

The Series 2013A Serial Bonds bear interest at the rates below per year and will mature in the principal amounts and on the following dates:

<u>Maturity Date (December 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2013	\$105,000	1.000%
2020	205,000	2.000%
2021	205,000	2.000%
2022	210,000	2.000%

The 0.75% Series 2013A Current Interest Term Bonds maturing on or after December 1, 2015, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption. on December 1, 2014 in the principal amount of \$60,000. The remaining principal amount of such Series 2013A Current Interest Term Bonds (\$60,000) will be paid at stated maturity on December 1, 2015.

**FAYETTE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

13. LONG-TERM OBLIGATIONS (Continued)

The 2.125% Series 2013A Current Interest Term Bonds maturing on or after December 1, 2024, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, 2023 in the principal amount of \$215,000. The remaining principal amount of such Series 2013A Current Interest Term Bonds (\$225,000) will be paid at stated maturity on December 1, 2024.

The 2.4% Series 2013A Current Interest Term Bonds maturing on or after December 1, 2026, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, 2025 in the principal amount of \$225,000. The remaining principal amount of such Series 2013A Current Interest Term Bonds (\$230,000) will be paid at stated maturity on December 1, 2026.

The 2.625% Series 2013A Current Interest Term Bonds maturing on or after December 1, 2028, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, 2027 in the principal amount of \$235,000. The remaining principal amount of such Series 2013A Current Interest Term Bonds (\$245,000) will be paid at stated maturity on December 1, 2028.

The 3.25% Series 2013A Current Interest Term Bonds maturing on or after December 1, 2030, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, 2029 in the principal amount of \$250,000. The remaining principal amount of such Series 2013A Current Interest Term Bonds (\$255,000) will be paid at stated maturity on December 1, 2030.

The 3.125% Series 2013A Current Interest Term Bonds maturing on or after December 1, 2032, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, 2031 in the principal amount of \$265,000. The remaining principal amount of such Series 2013A Current Interest Term Bonds (\$275,000) will be paid at stated maturity on December 1, 2032.

The 3.25% Series 2013A Current Interest Term Bonds maturing on or after December 1, 2034, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, 2033 in the principal amount of \$280,000. The remaining principal amount of such Series 2013A Current Interest Term Bonds (\$290,000) will be paid at stated maturity on December 1, 2034.

The 2013 capital appreciation bonds series A were issued in the aggregate original principal amount of \$114,494 and mature on December 1, in the years, have the original principal amounts and mature with the accreted values at maturity, as follows:

<u>Maturity Date (December 1)</u>	<u>Original Principal Amount</u>	<u>Accreted Value at Maturity</u>
2016	\$48,536	\$205,000
2017	31,518	200,000
2018	20,978	200,000
2019	13,962	200,000

No interest was accreted for fiscal year 2013 due to the timing of the bond issue. Capital Appreciation Bonds are not subject to redemption prior to maturity.

**FAYETTE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

13. LONG-TERM OBLIGATIONS (Continued)

The 2.125% Series 2013B Current Interest Term Bonds maturing on or after December 1, 2020, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the respective principal amounts as follows:

Year	Principal Amount to be Redeemed
2013	\$10,000
2014	10,000
2015	10,000
2016	10,000
2017	10,000
2018	10,000
2019	10,000

The remaining principal amount of such Series 2013B Current Interest Term Bonds (\$10,000) will be paid at stated maturity on December 1, 2020.

The 3% Series 2013B Current Interest Term Bonds maturing on or after December 1, 2023, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, 2022 in the principal amount of \$150,000. The remaining principal amount of such Series 2013B Current Interest Term Bonds (\$160,000) will be paid at stated maturity on December 1, 2023.

The 2013 capital appreciation bond series B was issued in the aggregate original principal amount of \$60,000 and mature on December 1, 2020, has an original principal amount of \$60,000 and matures with the accreted value at maturity of \$150,000.

No interest was accreted for fiscal year 2013 due to the timing of the bond issue. Capital Appreciation Bonds are not subject to redemption prior to maturity.

FY 2006 School Improvement Refunding Bonds - On July 13, 2005, the District issued \$1,475,000 in general obligation bonds to partially refund bonds previously issued in fiscal year 1998 for renovating, repairing, and improving existing school buildings. The bonds were issued for an eighteen year period, with final maturity during fiscal year 2024. The bonds will be retired through the Bond Retirement debt service fund. The District received a significant settlement from a lawsuit in fiscal year 2007. These monies were used to defease \$1,025,000 of the outstanding 2006 Series bonds. These monies were deposited in an irrevocable trust with an escrow agent and used to purchase United States Government Securities to provide for the future debt service payments on the bonds. As of June 30, 2013, \$925,000 of the refunded bonds was still outstanding. The serial bonds were paid off with the 2013 refunding bond issue. During fiscal year 2013, the District defeased the remainder of these bonds. These monies were deposited in an irrevocable trust with an escrow agent and used to purchase United States Government Securities to provide for the future debt service payments on the bonds. As of June 30, 2013, \$450,000 of the refunded bonds were still outstanding.

**FAYETTE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

13. LONG-TERM OBLIGATIONS (Continued)

FY 2006 General Obligation Bonds - On March 24, 2006, the District issued \$4,884,999, in general obligation bonds for constructing a school building. The bond issue included serial, term, and capital appreciation bonds, in the original amount of \$845,000, \$3,950,000, and \$89,999, respectively. The bonds were issued for a twenty-two year period, with final maturity during fiscal year 2028. During fiscal year 2013 the District defeased a portion of these bonds. These monies were deposited in an irrevocable trust with an escrow agent and used to purchase United States Government Securities to provide for the future debt service payments on the bonds. The total debt service payments were reduced by \$277,216 and a net present value savings of \$213,302. As of June 30, 2013, \$3,950,000 of the refunded bonds were still outstanding. The remaining bonds will be retired through the Bond Retirement debt service fund.

The remaining Series 2006 General Obligation Serial Bond has a principal amount of \$135,000, bears an interest rate of 4 percent, and will mature on December 1, 2013.

The 2006 General Obligation Capital Appreciation Bonds were issued in the aggregate original principal amount of \$89,999 and mature on December 1, in the years, have the original principal amounts and mature with the accreted values at maturity, as follows:

<u>Maturity Date (December 1)</u>	<u>Original Principal Amount</u>	<u>Accreted Value at Maturity</u>
2014	\$47,778	\$140,000
2015	42,221	140,000

The annual accretion of interest was \$25,685. Total accreted interest of \$130,758 has been included in the value. Capital Appreciation Bonds are not subject to redemption prior to maturity.

The District's overall debt margin was \$3,951,972 with an unvoted debt margin of \$45,411 at June 30, 2013.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2013 are as follows:

<u>Year Ending June 30,</u>	<u>Serial</u>	<u>Term</u>	<u>Capital Appreciation</u>	<u>Interest</u>	<u>Total</u>
2014	\$240,000			\$128,008	\$368,008
2015		\$60,000	\$117,194	326,611	503,805
2016		60,000	103,564	338,208	501,772
2017			48,538	273,795	322,333
2018			31,518	285,815	317,333
2019-2023	620,000	230,000	94,937	1,010,400	1,955,337
2024-2028		1,290,000		364,854	1,654,854
2029-2033		1,290,000		196,403	1,486,403
2034-2035		570,000		18,687	588,687
Total	<u>\$860,000</u>	<u>\$3,500,000</u>	<u>\$395,751</u>	<u>\$2,942,781</u>	<u>\$7,698,532</u>

**FAYETTE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

14. LEASES

The District has entered into a lease for a vehicle. These expenditures are reflected as program/function expenditures on the accompanying financial statements. Principal payments made in fiscal year 2013 were \$19,764. The lease was paid off as of June 30, 2013.

15. SET-ASIDE CALCULATION

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

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

	<u>Capital Acquisition</u>
Current Year Set-aside Requirement	\$74,969
Current Year Offsets	(34,281)
Qualifying Disbursements	<u>(67,879)</u>
Total	<u>(\$27,191)</u>

16. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

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

The NWOCA Assembly consists of the superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the Governing Council of two representatives from each of the six counties in which member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Governing Council. During fiscal year 2013, the District paid \$23,791 to NWOCA for various services. Financial information can be obtained from the Northwest Ohio Computer Association, 209 Nolan Parkway, Archbold, Ohio 43502.

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

16. JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the six counties in which the member educational entities are located. The Board is elected from an assembly consisting of a representative from each participating educational entity. During fiscal year 2013, the District paid \$250 to NWOCA for various services. Financial information can be attained from Northern Buckeye Education Council, 209 Nolan Parkway, Archbold, Ohio 43502.

C. Four County Career Center

The Four County Career Center (Career Center) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Career Center is operated under the direction of a Board consisting of five representatives from the Northwest Ohio Educational Service Center and one representative from the participating school districts elected boards. The Career Center possesses its own budgeting and taxing authority. The degree of control exercised by the District is limited to its representation on the Board. Financial information can be obtained from the Four County Career Center, at 22-900 State Route 34, Archbold, Ohio 43502.

D. Northwestern Ohio Educational Research Council, Inc.

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

17. GROUP PURCHASING POOLS

A. Ohio School Plan

The District belongs to the Ohio School Plan (Plan), an unincorporated nonprofit association providing a formalized jointly administered self- insurance risk management program and other administrative services to approximately 300 Ohio schools (Members).

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

17. GROUP PURCHASING POOLS (Continued)

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, general liability, educator's legal liability, automobile, and violence coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's specific deductible.

The Plan issues its own policies and reinsures the Plan with reinsurance carriers. Only if the Plan's paid liability loss ratio exceeds 65 percent and is less than 80 percent does the Plan contribute to paid claims. (See the Plan's audited financial statements on the website for more details). The individual members are responsible for their self-retention (deductible) amounts, which vary from member to member.

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011.

	2012	2011
Assets	\$5,351,369	\$4,280,876
Liabilities	2,734,952	1,812,420
Members' Equity	2,616,417	2,468,456

You can read the complete audited financial statements for The Ohio School Plan at the Plan's website, www.ohioschoolplan.org.

B. Employee Insurance Benefits Program

The Northern Buckeye Health Plan, Northwest Division of OHI, is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by OHI and its participating members

The District contributed a total of \$520,885 to Northern Buckeye Health Plan, Northwest Division of OHI for all four plans. Financial information for the period can be obtained from Jenny Jostworth, Treasurer, at 10999 Reed Hartman Highway, Suite 304E, Cincinnati, OH 45242.

C. Workers' Compensation Group Rating Plan

The District participates in a group-rating plan for workers' compensation as established under §4123.29 of the Ohio Revised Code. The Northern Buckeye Health Plan, Northwest Division of OHI Workers' Compensation Group Rating Plan (WCGRP) is an insurance purchasing pool. The group was formed to create a workers' compensation group rating plan which would allow employers to group together to achieve a potentially lower premium rate than they may otherwise be able to acquire as individual employers. During this fiscal year, the District paid an enrollment fee of \$477 to WCGRP to cover the costs of administering the program.

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

18. RELATED ORGANIZATION

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

19. CONTINGENCIES

A. Federal and State Grants

The 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, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2013, if applicable, cannot be determined at this time.

B. Litigation

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

20. FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

20. FUND BALANCE (Continued)

<u>Fund Balance</u>	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities Maintenance</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Restricted for:					
Athletics				\$26,955	\$26,955
Food Service Operations				16,507	16,507
Facilities Maintenance			\$421,013		421,013
Debt Retirement		\$274,231			274,231
Building Construction				103,849	103,849
Total Restricted		274,231	421,013	147,311	842,555
Committed for:					
Athletic Facilities				199,990	199,990
Assigned for:					
Educational Activities	\$26,091				\$26,091
Unpaid Obligations (encumbrances)	30,049				30,049
Total Assigned	56,140				56,140
Unassigned (Deficit)	1,380,379			(2,090)	1,381,699
Total Fund Balance	<u>\$1,436,379</u>	<u>\$274,231</u>	<u>\$421,013</u>	<u>\$345,211</u>	<u>\$2,476,834</u>

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Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fayette Local School District, Fulton County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 29, 2013, wherein we noted the District uses a special purpose framework other than generally accepted accounting policies.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-001.

One Government Center, Suite 1420, Toledo, Ohio 43604-2246
Phone: 419-245-2811 or 800-443-9276 Fax: 419-245-2484

www.ohioauditor.gov

Entity's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

October 29, 2013

FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2013

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

FINDING NUMBER 2013-001

Noncompliance Citation

Ohio Revised Code, § 117.38, provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03 further clarifies the requirements of Ohio Revised Code § 117.38.

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepares its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles accepted in the United States of America. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District. As such, we recommend the District prepare its annual financial report in accordance with generally accepted accounting principles.

Officials' Response:

Management believes reporting on a basis of accounting other than generally accepted accounting principles (GAAP) is more cost efficient.

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**FAYETTE LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 (B) – for not preparing its annual financial report in accordance with generally accepted accounting principles.	No	Not corrected. Reissued as finding 2013-001 in this report.

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

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

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

We noted the Board amended its anti-harassment policy at its meeting on April 16, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

Columbus, Ohio

October 29, 2013

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Dave Yost • Auditor of State

FAYETTE LOCAL SCHOOL DISTRICT

FULTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 14, 2013**