Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

FAYETTEVILLE-PERRY LOCAL SCHOOL DISTRICT
BROWN COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2013
Fiscal Year Audited Under GAGAS: 2013

Dave Yost • Auditor of State

Board of Education
Fayetteville-Perry Local School District
501 South Apple Street
Fayetteville, Ohio 45118

We have reviewed the *Independent Auditor's Report* of the Fayetteville-Perry Local School District, Brown County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Fayetteville-Perry Local School District is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

February 28, 2014

88 East Broad Street, Fifth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov

This page intentionally left blank.

FAYETTEVILLE-PERRY LOCAL SCHOOL DISTRICT
BROWN COUNTY

BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet – Governmental Funds	12
Reconciliation of Total Governmental Fund Balances To Net Position of Governmental Activities	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund	16
Statement of Fiduciary Net Position– Fiduciary Funds	17
Statement of Changes in Fiduciary Net Position– Fiduciary Fund	18
Notes to the Basic Financial Statements	19
Schedule of Federal Awards Receipts and Expenditures	43
Notes to the Schedule of Federal Awards Receipts and Expenditures	44
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Governmental Auditing Standards*	45
Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	47
Schedule of Findings OMB Circular A-133 Section §.505	49
Independent Accountants' Report on Applying Agreed-Upon Procedures	51

Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

Independent Auditor's Report

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

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 Fayetteville-Perry Local School District, Brown County, Ohio (the School District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School 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 accounting principles generally accepted in the United States of America; this includes 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 School 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 School 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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fayetteville-Perry Local School District, Brown County, Ohio, as of June 30, 2013, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 21 to the financial statements, during the year ended June 30, 2013, the School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the School District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures (the Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2013, on our consideration of the School 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 School District's internal control over financial reporting and compliance.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
December 16, 2013

As management of the Fayetteville-Perry Local School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's performance.

Financial Highlights

- The School District's net position decreased $1,193,984 during this fiscal year's operations.
- General revenues accounted for $7,268,261 in revenue or 79 percent of all revenues. Program specific revenues in the form of charges for services, grants, and contributions accounted for $1,901,166, or 21 percent of total revenues of $9,169,427.
- The School District had $10,023,440 in expenses related to governmental activities; only $1,901,166, of these expenses were offset by program specific charges for services and sales, grants, contributions and interest. General revenues (primarily grants, entitlements and property taxes) of $7,268,261 were not adequate to provide for these programs.

Using the Basic Financial Statements

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

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

Reporting the School District as a Whole

One of the most important questions asked about the School District is "How did we do financially during fiscal year 2013?" The Statement of Net Position and the Statement of Activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These government-wide financial statements include all assets, liabilities, and deferred inflows/outflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Position and the Statement of Activities, most of the School District's programs and services are reported as governmental activities including instruction, support services, operation of non-instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 9. Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's major funds.

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

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. The School District's fiduciary funds are an agency fund and a private purpose trust fund. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

The School District's agency fund is used to maintain financial activity of the School District's student managed activities. The School District's private purpose trust fund accounts for college scholarship programs for students.

Table 1 provides a summary of the School District's net SRVLWLRQ for fiscal years 2013 and 2012:

Table 1
Net Position

	Governmental Activities	
	2013	2012*
Assets		
Current and Other Assets	$ 5,893,498	$ 6,654,527
Capital Assets, Net	26,976,412	27,744,878
Total Assets	32,869,910	34,399,405
Deferred Outflows of Resources		
Unamortized Deferred Amount on Refunding	77,583	81,278
Liabilities		
Current and Other Liabilities	959,324	863,257
Long-term Liabilities	7,588,530	7,939,181
Total Liabilities	8,547,854	8,802,438
Deferred Inflows of Resources		
Property Taxes not Levied to Finance Current Year Operations	1,696,917	1,781,539
Net Position		
Net Investment in Capital Assets	19,902,353	20,401,767
Restricted	2,147,088	2,667,537
Unrestricted	653,281	827,402
Total Net Position	$ 22,702,722	$ 23,896,706

* As restated, see Note 21 for additional information.

Total assets decreased $1,529,495 This decrease was mainly due to a decrease in cash and cash equivalents in the amount of $543,097 and a decrease of $768,466 in capital assets. The decrease in capital assets was due to current year depreciation exceeding additions. The decrease in cash and cash equivalents was primarily due expenses exceeding revenues.

Total Liabilities of the School District decreased $254,584 from the prior fiscal year. The largest decrease was in Long-Term Liabilities which decreased due to annual debt payments made by the School District.

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

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

Table 2
Changes in Net Position

	Governmental Activities 2013	Governmental Activities 2012*
Revenues		
Program Revenues		
Charges for Services and Sales	$ 1,294,897	$ 1,223,721
Operating Grants and Contributions	606,269	1,293,942
Total Program Revenues	1,901,166	2,517,663
General Revenues		
Property Taxes	2,363,822	2,545,709
Grants and Entitlements Not Restricted to Specific Programs	4,778,343	4,628,931
Gifts and Donations	8,459	9,385
Investment Earnings	37,034	22,897
Miscellaneous	80,603	83,203
Total General Revenues	7,268,261	7,290,125
Total Revenues	9,169,427	9,807,788
Program Expenses		
Instruction:		
Regular	4,080,810	3,663,414
Special	782,006	844,000
Vocational	197,661	200,506
Student Intervention Services	311,487	1,669
Support Services:		
Pupils	409,321	255,902
Instructional Staff	746,291	762,024
Board of Education	51,085	60,541
Administration	649,298	732,846
Fiscal	307,231	319,772
Operation and Maintenance of Plant	822,129	961,574
Pupil Transportation	602,774	598,978
Central	9,058	3,086
Operation of Non-Instructional Services:		
Other	134,026	81,500
Food Services	414,622	527,506
Extracurricular Activities	194,798	221,309
Interest and Fiscal Charges	310,843	330,257
Total Expenses	10,023,440	9,564,884
Special Item	(339,971)	-
Change in Net Position	(1,193,984)	242,904
Net Position, Beginning of Year, As Restated	23,896,706	23,653,802
Net Position, End of Year	$ 22,702,722	$ 23,896,706

* As restated, see Note 21 for additional information.

Net position decreased by $1,193,984 in fiscal year 2013. Revenues reflect a decrease in the amount of $638,361 from fiscal year 2012 to fiscal year 2013. This decrease was due primarily to a decrease in operating grants and contributions as a result of the elimination of the Education Jobs program in 2013, as well as, a decrease in property taxes due to a decrease in the tax rate.

Instruction comprises approximately 54 percent of governmental program expenses and support services make up approximately 36 percent of the program expense of the School District. Overall, program expenses of the School District increased $458,556. Student Intervention Services increased as a result of increased student intervention services provided by the School District. Regular Instruction increased due to increases in salaries and benefits. Pupils increased due to additional services provided for speech therapy and psychology services.

The DeRolph III decision has not eliminated the dependence on property taxes. Property taxes made up approximately 26 percent of revenues for governmental activities for the School District in fiscal year 2013.

Governmental Activities

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

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2013		2012	
Program Expenses				
Instruction:				
Regular	$ 4,080,810	$ 3,598,890	$ 3,663,414	$ 2,542,657
Special	782,006	592,368	844,000	184,112
Vocational	197,661	170,509	200,506	113,682
Student Intervention Services	311,487	268,699	1,669	1,669
Support Services:				
Pupils	409,321	353,094	255,902	255,902
Instructional Staff	746,291	593,159	762,024	710,857
Board of Education	51,085	44,068	60,541	60,541
Administration	649,298	531,474	732,846	684,851
Fiscal	307,231	267,706	319,772	319,772
Operation and Maintenance of Plant	822,129	675,807	961,574	961,574
Pupil Transportation	602,774	524,675	598,978	584,147
Central	9,058	7,814	3,086	3,086
Operation of Non-Instructional Services	548,648	111,527	609,006	141,525
Extracurricular Activities	194,798	71,641	221,309	152,589
Interest and Fiscal Charges	310,843	310,843	330,257	330,257
Total	$ 10,023,440	$ 8,122,274	$ 9,564,884	$ 7,047,221

Table 3 clearly shows the dependence upon tax revenues and state subsidies for governmental activities. For 2013, only 19 percent of the governmental activities performed by the School District are supported through program revenues such as charges for services, grants and contributions. The remaining 81 percent is provided through taxes and entitlements.

The School District's Funds

Information about the School District's major funds starts on page 12. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of $9,411,089 and expenditures and other financing uses of $9,669,144 and a special item outlay of $339,971. The net change in fund balance for the fiscal year was most significant in the General Fund, a decrease of $201,409. This was due to an increase in expenditures, while revenues remained consistent. The net change in fund balance for the fiscal year in the Debt Service Fund was an increase of $10,703. This increase was due to property tax revenues exceeding debt service payments.

General Fund - Budget Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. During the course of fiscal year 2013, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures.

The School District's ending unobligated cash balance was $1,008 below the final budgeted amount in the General Fund.

For the General Fund, actual revenues and other financing sources were $7,427,763, a $1,008 decrease from final budget estimates of $7,428,771. Final budget estimates were $109,022 less than original budget estimates of $7,537,793, due to decreases in intergovernmental revenues, which were partially offset by increases in tuition and fees revenues. Actual expenditures of $7,744,404 were the same as final budgeted expenditures. Final budgeted expenditures were $417,918 greater than original budget estimates of $7,326,486, due to increases in regular instruction and pupil support services.

Capital Assets and Debt Administration

Capital Assets

The Fayetteville-Perry Local School District's investment in capital assets as of June 30, 2013 was $26,976,412. This investment in capital assets includes land, land improvements, buildings and improvements, furniture, fixtures and equipment, and vehicles.

For more information on capital assets, refer to note 9 to the basic financial statements.

Debt

At June 30, 2013 the School District had $7,055,000 in bonds outstanding with $380,000 due within one year.

The School District's overall legal debt margin was $2,952,231 with an unvoted debt margin of $92,831 at June 30, 2013. For more information on debt, refer to note 14 to the basic financial statements.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Jo Anna Carraher, Treasurer, at Fayetteville-Perry Local School District, 551 S. Apple Street, Fayetteville, Ohio 45118-0281.

Fayetteville-Perry Local School District

Statement of Net Position

June 30, 2013

	Governmental Activities
Assets:	
Current Assets	
Equity in Pooled Cash and Cash Equivalents	$3,248,272
Intergovernmental Receivable	84,850
Property Taxes Receivable	2,560,376
Noncurrent Assets	
Non-Depreciable Capital Assets	89,380
Depreciable Capital Assets, Net	26,887,032
Total Assets	32,869,910
Deferred Outflows of Resources:	
Unamortized Deferred Amount on Refunding	77,583
Liabilities:	
Accounts Payable	66,447
Accrued Wages and Benefits Payable	621,223
Contracts Payable	16,542
Intergovernmental Payable	177,886
Matured Compensated Absences Payable	52,900
Accrued Interest Payable	24,326
Long-Term Liabilities:	
Due Within One Year	434,309
Due in More Than One Year	7,154,221
Total Liabilities	8,547,854
Deferred Inflows of Resources:	
Property Taxes not Levied to Finance Current Year Operations	1,696,917
Net Position:	
Net Investment in Capital Assets	19,902,353
Restricted for:	
Capital Outlay	160,804
Debt Service	1,688,996
Classroom Facilities Maintenance	212,258
Other Purposes	85,030
Unrestricted	653,281
Total Net Position	$22,702,722

See accompanying notes to the basic financial statements.

Fayetteville-Perry Local School District

Statement of Activities

For the Fiscal Year Ended June 30, 2013

	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities:				
Instruction:				
Regular	$4,080,810	$445,320	$36,600	($3,598,890)
Special	782,006	83,022	106,616	(592,368)
Vocational	197,661	27,152	0	(170,509)
Student Intervention Services	311,487	42,788	0	(268,699)
Support Services:				
Pupils	409,321	56,227	0	(353,094)
Instructional Staff	746,291	81,021	72,111	(593,159)
Board of Education	51,085	7,017	0	(44,068)
Administration	649,298	78,470	39,354	(531,474)
Fiscal	307,231	38,711	814	(267,706)
Operation and Maintenance of Plant	822,129	102,251	44,071	(675,807)
Pupil Transportation	602,774	65,401	12,698	(524,675)
Central	9,058	1,244	0	(7,814)
Operation of Non-Instructional Services:				
Other	134,026	18,411	0	(115,615)
Food Services	414,622	179,474	239,236	4,088
Extracurricular Activities	194,798	68,388	54,769	(71,641)
Interest and Fiscal Charges	310,843	0	0	(310,843)
Total Governmental Activities	$10,023,440	$1,294,897	$606,269	(8,122,274)

General Revenues:	
Property Taxes Levied for:	
General Purposes	1,662,247
Debt Service	589,307
Capital Outlay	80,885
Capital Maintenance	31,383
Grants and Entitlements not Restricted to Specific Programs	4,778,343
Gifts and Donations	8,459
Interest	37,034
Miscellaneous	80,603
Total General Revenues	7,268,261
Change in Net Position Before Special Item	(854,013)
Special Item - Refund of Prior Year Grant Monies	(339,971)
Change in Net Position	(1,193,984)
Net Position at Beginning of Year - As Restated, See Note 21	23,896,706
Net Position at End of Year	$22,702,722

See accompanying notes to the basic financial statements.

Fayetteville-Perry Local School District

Balance Sheet

Governmental Funds

June 30, 2013

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	$1,291,804	$1,473,759	$482,709	$3,248,272
Interfund Receivable	4,165	0	0	4,165
Intergovernmental Receivable	43,940	0	40,910	84,850
Property Taxes Receivable	1,767,875	672,963	119,538	2,560,376
Total Assets	$3,107,784	$2,146,722	$643,157	$5,897,663
Liabilities:				
Accounts Payable	$49,351	$0	$17,096	$66,447
Accrued Wages and Benefits Payable	569,044	0	52,179	621,223
Contracts Payable	0	0	16,542	16,542
Interfund Payable	0	0	4,165	4,165
Intergovernmental Payable	154,691	0	23,195	177,886
Matured Compensated Absences Payable	52,900	0	0	52,900
Total Liabilities	825,986	0	113,177	939,163
Deferred Inflows of Resources:				
Property Taxes not Levied to Finance Current Year Operations	1,161,056	457,726	78,135	1,696,917
Unavailable Revenue - Delinquent Taxes	102,938	36,519	7,024	146,481
Unavailable Revenue - Grants	0	0	11,468	11,468
	1,263,994	494,245	96,627	1,854,866
Fund Balances:				
Restricted	0	1,652,477	451,068	2,103,545
Assigned	136,735	0	0	136,735
Unassigned	881,069	0	(17,715)	863,354
Total Fund Balances	1,017,804	1,652,477	433,353	3,103,634
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$3,107,784	$2,146,722	$643,157	$5,897,663

See accompanying notes to the basic financial statements.

Fayetteville-Perry Local School District

Reconciliation of Total Governmental Fund Balances to

Net Position of Governmental Activities

June 30, 2013

Total Governmental Fund Balances		$3,103,634
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		26,976,412
Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		
Delinquent property taxes	146,481	
Intergovernmental	11,468	
		157,949
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(24,326)
Some liabilities and deferred outflows are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Bonds payable	(7,055,000)	
Bond premium	(96,642)	
Unamortized deferred amount on refunding	77,583	
Compensated absences	(436,888)	
		(7,510,947)
Net Position of Governmental Activities		$22,702,722

See accompanying notes to the basic financial statements.

Fayetteville-Perry Local School District

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2013

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	$1,682,290	$603,829	$113,403	$2,399,522
Intergovernmental	4,670,680	102,437	741,389	5,514,506
Interest	35,645	0	1,389	37,034
Tuition and Fees	1,062,321	0	0	1,062,321
Extracurricular Activities	0	0	53,102	53,102
Gifts and Donations	8,459	0	11,312	19,771
Customer Sales and Services	0	0	179,474	179,474
Miscellaneous	77,080	0	3,523	80,603
Total Revenues	7,536,475	706,266	1,103,592	9,346,333
Expenditures:				
Current:				
Instruction:				
Regular	3,222,729	0	61,142	3,283,871
Special	620,452	0	159,283	779,735
Vocational	197,193	0	0	197,193
Student Intervention Services	311,487	0	0	311,487
Support Services:				
Pupils	408,136	0	0	408,136
Instructional Staff	572,029	0	128,331	700,360
Board of Education	51,085	0	0	51,085
Administration	579,080	0	65,562	644,642
Fiscal	271,487	21,355	4,065	296,907
Operation and Maintenance of Plant	784,302	0	117,346	901,648
Pupil Transportation	469,925	0	86,594	556,519
Central	9,058	0	0	9,058
Operation of Non-Instructional Services:				
Other	134,026	0	0	134,026
Food Services	0	0	398,558	398,558
Extracurricular Activities	106,895	0	72,398	179,293
Capital Outlay	0	0	77,662	77,662
Debt Service:				
Principal Retirement	0	360,000	0	360,000
Interest and Fiscal Charges	0	314,208	0	314,208
Total Expenditures	7,737,884	695,563	1,170,941	9,604,388
Excess of Revenues Over (Under) Expenditures	(201,409)	10,703	(67,349)	(258,055)
Other Financing Sources (Uses):				
Transfers In	0	0	64,756	64,756
Transfers Out	0	0	(64,756)	(64,756)
Total Other Financing Sources (Uses)	0	0	0	0
Special Item:				
Refund of Prior Year Grant Monies	0	0	(339,971)	(339,971)
Net Change in Fund Balances	(201,409)	10,703	(407,320)	(598,026)
Fund Balances at Beginning of Year	1,219,213	1,641,774	840,673	3,701,660
Fund Balances at End of Year	$1,017,804	$1,652,477	$433,353	$3,103,634

See accompanying notes to the basic financial statements.

Fayetteville-Perry Local School District

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2013

Net Change in Fund Balances - Total Governmental Funds		($598,026)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital assets additions	136,561	
Depreciation expense	(905,027)	
Excess of depreciation expense over capital asset additions		(768,466)
Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.		
Delinquent property taxes	(35,700)	
Intergovernmental	(141,206)	
		(176,906)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The difference in the amount of interest on the Statement of Activities is the result of the following:		
Decrease in accrued interest payable	2,458	
Amortization of bond premium	4,602	
Amortization of deferred amount on refunding	(3,695)	
		3,365
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current fiscal year, these amounts consist of:		
Bond payments		360,000
Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Increase in compensated absences payable		(13,951)
Change in Net Position of Governmental Activities		($1,193,984)

See accompanying notes to the basic financial statements.

Fayetteville-Perry Local School District

Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Total Revenues and Other Financing Sources	$7,537,793	$7,428,771	$7,427,763	($1,008)
Total Expenditures and Other Financing Uses	7,326,486	7,744,404	7,744,404	0
Net Change in Fund Balance	211,307	(315,633)	(316,641)	(1,008)
Fund Balance at Beginning of Year - As Restated See Note 21	1,309,526	1,309,526	1,309,526	0
Prior Year Encumbrances Appropriated	124,605	124,605	124,605	0
Fund Balance at End of Year	$1,645,438	$1,118,498	$1,117,490	($1,008)

See accompanying notes to the basic financial statements. .

Fayetteville-Perry Local School District

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2013

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	$2,280	$39,726
Liabilities:		
Undistributed Monies	0	$39,726
Net Position:		
Held in Trust for Scholarships	$2,280	

See accompanying notes to the basic financial statements.

Fayetteville-Perry Local School District

Statement of Changes in Fiduciary Net Position

Fiduciary Fund

For the Fiscal Year Ended June 30, 2013

	Private Purpose Trust
	Scholarship
Additions:	
Interest	$25
Deductions:	
Payments in Accordance with Trust Agreements	500
Change in Net Position	(475)
Net Position at Beginning of Year	2,755
Net Position at End of Year	$2,280

See accompanying notes to the basic financial statements.

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The Fayetteville-Perry Local School District was established in 1895. The School District serves an area of approximately 62 square miles. It is located in Brown County and includes the Village of Fayetteville and Perry Township. The School District is staffed by 37 non-certificated employees, 52 certificated personnel and 10 administrative employees who provide services to 913 students and other community members. The School District currently operates two instructional buildings.

Reporting Entity:

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fayetteville-Perry Local School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

> *General Fund* - The General Fund is the operating fund of the School District and is used to account for all financial resources not accounted for and reported in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.
>
> *Debt Service Fund* - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs. The major source of revenue for this fund is property taxes.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary funds are a private purpose trust fund and an agency fund. The private purpose trust fund accounts for college scholarship programs for students. The School District's agency fund accounts for those student activities which consist of a student body, a student president, a student treasurer, and a faculty advisor.

C. Measurement Focus

Government-wide Financial Statements:

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

Fund Financial Statements:

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

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

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means that the amount of the transaction can be determined and "available" means that the resources are collectible within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year-end.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Outflows and Deferred Inflows of Resources

As more fully described in Note 21 to the basic financial statements, the School District has implemented both GASB Statement No. 63 and GASB Statement No. 65, effective for fiscal year 2013. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The School District recorded a deferred outflow of resources for the unamortized portion of the net loss on the refunding of bonds as of June 30, 2013. The School District also reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the School District these amounts consist of taxes and grants which are not collected in the available period. The difference between deferred inflows on the Statement of Net Position and the Balance Sheet is due to monies not received during the available period. These were reported as revenues on the Statement of Activities and not recorded as deferred inflows on the Statement of Net Position.

Expenses/Expenditures:

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

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

E. Cash and Cash Equivalents

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

During fiscal year 2013, the School District’s investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio’s net asset value per share which is the price the investment could be sold for on June 30, 2013.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2013 amounted to $35,645 and $1,389 in other governmental funds.

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Capital Assets

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

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of $2,500. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

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

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

In the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Bond premiums are presented as an addition of the face amount of the bonds payable whereas bond issuance costs are expensed in the year incurred.

On the governmental fund financial statements, bond premiums and issuance costs are recognized in the current period.

In the government-wide financial statements, an advance refunding resulting in the defeasance of debt generates an accounting gain or loss calculated by comparing the reacquisition price and the net carrying amount of the old debt. This accounting gain/loss is amortized as interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred inflow/outflow of resources on the Statement of Net Position.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for classified and certified employees after 14 years of current service with the School District.

The entire compensated absences liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid.

I. Accrued Liabilities and Long-Term Obligations

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

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

J. Net Position

Net position represents the difference between assets, liabilities, and deferred inflows/outflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings and the effect of deferred inflows and outflows related to the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes represents balances in special revenue funds for grants whose use is restricted by grant agreements.

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

Of the School District's $2,147,088 in restricted net position, none is restricted by enabling legislation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Interfund Transactions and Balances

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

Activity between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year, are referred to as either “due to/from other funds” or as “interfund receivable/payable”. All unpaid reimbursements between funds are reported as “due to/from other funds”. These amounts are eliminated in the governmental activities column of the statement of net position.

L. Estimates

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

M. Budgetary Process

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Fund Balance

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

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

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 fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District 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 fund balance classification are intended to be used by the School 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 or a School District official delegated that authority by resolution or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the General Fund and includes all spendable 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 School District applies restricted resources first when expenditures are 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 could be used.

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the School District and that are either unusual in nature or infrequent in occurrence. The School District had no extraordinary items. The School District reported one special item for the refund of prior year grant monies. The School District received notice during fiscal year 2013 that they were required to return $339,971 to the Ohio School Facilities Commission for grant monies that had been received by the School District in prior years, but which were required to be returned.

NOTE 3 - FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Restricted for				
Other Purposes	$0	$0	$85,030	$85,030
Classroom Facilities Maintenance	0	0	210,306	210,306
Debt Services Payments	0	1,652,477	0	1,652,477
Capital Improvements	0	0	155,732	155,732
Total Restricted	0	1,652,477	451,068	2,103,545
Assigned to				
Other Purposes	136,735	0	0	136,735
Unassigned (Deficit)	881,069	0	(17,715)	863,354
Total Fund Balances	$1,017,804	$1,652,477	$433,353	$3,103,634

NOTE 4 - ACCOUNTABILITY

At June 30, 2013, the Title VI-B, Title I, and Title VI-R Special Revenue Funds had deficit fund balances in the amounts of $3,104, $10,482, and $4,129, respectively. The deficits in these funds were created by the recognition of accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance (GAAP basis).

4. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

5. Funds treated as General Fund equivalents on the GAAP basis are not included on the budget basis.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (continued)

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

Net Change in Fund Balance

	General
GAAP Basis	($201,409)
Adjustments:	
Revenue Accruals	(61,296)
Expenditure Accruals	91,977
Perspective Difference:	
Activity of Funds Reclassed for GAAP Reporting Purposes	6,732
Encumbrances	(152,645)
Budget Basis	($316,641)

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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 that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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 only through eligible institutions;

7. The State Treasurer's investment pool (STAR Ohio);

8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;

9. Linked deposits as authorized by ordinance adopted pursuant to section 135.80 of the Revised Code;

10. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and

11. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the Federal Reserve System and the obligations mature no later than one hundred eighty days after purchase.

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

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

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

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution.

As of June 30, 2013, the School District's bank balance of $3,027,695 either covered by FDIC or collateralized by the financial institution's public entity deposit pools in the manner described above.

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

Investments

As of June 30, 2013, the School District had the following investment, which is in an internal investment pool:

	Carrying/Fair Value	Weighted Average Maturity (Years)
STAR Ohio	$ 387,300	< 1 year
Total Investment	$ 387,300	

Interest Rate Risk

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

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investements in STAROhio were rated AAAm by Standard & Poor's. The School District has no investment policy that addresses credit risk.

Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District invests only in investments that are allowable per the Ohio Revised Code. The School District has invested 100 percent in STAROhio. The School District has no investment policy.

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed 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 semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

NOTE 7 - PROPERTY TAXES (continued)

The School District receives property taxes from Brown County. The Brown County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 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.

Accrued property taxes receivable includes real property and public utility property taxes which were measurable as of June 30, 2013 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

The amount available as an advance at June 30, 2013, was $716,978 and is recognized as revenue: $503,881 in the General Fund, $178,718 in the Bond Retirement Debt Service Fund and $34,379 in the Other Governmental Funds.

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 and Other Real Estate	$ 92,352,610	97.42%	$ 90,340,500	97.32%
Public Utility	2,443,180	2.58%	2,490,100	2.68%
Total Assessed Value	$ 94,795,790	100.00%	$ 92,830,600	100.00%
Tax rate per $1,000 of assessed valuation	$ 39.80		$ 38.30	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2013, consisted of intergovernmental grants, interfund, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Total
General Fund	$ 43,940
Non-Major Funds:	
Race to the Top	500
Title VI-B Fund	6,706
Chapter I/Title I Fund	25,345
Title II-A	4,359
Miscellaneous Federal Grant Fund	4,000
Total Non-Major Funds	40,910
Total Intergovernmental Receivable	$ 84,850

NOTE 9 - CAPITAL ASSETS

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

Governmental Activities	Balance at 6/30/2012	Additions	Deletions	Balance at 6/30/2013
Capital Assets, Not Being Depreciated				
Land	$ 89,380	$ -	$ -	$ 89,380
Total Capital Assets, Not Being Depreciated	89,380	-	-	89,380
Capital Assets, Being Depreciated				
Land Improvements	2,349,831	2,570	-	2,352,401
Buildings and Building Improvements	26,678,139	-	-	26,678,139
Furniture, Fixtures, Equipment and Textbooks	1,219,235	53,236	-	1,272,471
Vehicles	970,932	80,755	-	1,051,687
Total Capital Assets, Being Depreciated	31,218,137	136,561	-	31,354,698
Accumulated Depreciation				
Land Improvements	(346,151)	(177,058)	-	(523,209)
Buildings and Building Improvements	(1,805,245)	(607,067)	-	(2,412,312)
Furniture, Fixtures, Equipment and Textbooks	(603,202)	(82,325)	-	(685,527)
Vehicles	(808,041)	(38,577)	-	(846,618)
Total Accumulated Depreciation	(3,562,639)	(905,027)	-	(4,467,666)
Total Capital Assets Being Depreciated, Net	27,655,498	(768,466)	-	26,887,032
Governmental Activities Capital Assets, Net	$ 27,744,878	$ (768,466)	$ -	$ 26,976,412

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$777,823
Support Services:	
Instructional Staff	28,143
Administration	12,489
Operation and Maintenance of Plant	19,311
Pupil Transportation	40,073
Operation of Non-Instructional Services	16,064
Extracurricular Activities	11,124
Total	$905,027

NOTE 10 - RISK MANAGEMENT

A. Property and Liability Insurance

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2013, the School District contracted with Ohio Casualty Insurance for general liability insurance with a $1,000,000 single occurrence limit and a $2,000,000 aggregate. Property is protected by Ohio Casualty Insurance and holds a $1,000 deductible.

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

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

NOTE 10 - RISK MANAGEMENT (continued)

B. Workers' Compensation

For fiscal year 2013, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Sheakley Uniservice, Inc. Managed Care Organization provides administrative, cost control, and actuarial services to the GRP.

C. Employee Medical and Dental Benefits

The School District participates in the Brown County Schools Benefits Consortium (the Consortium), a public entity shared risk and insurance purchasing pool (note 16) consisting of nine districts. The Consortium has elected to have United Healthcare provide medical coverage purchased as a group through the Consortium. Dental coverage is being provided through a shared risk pool based on member districts' number of employees. The School District is responsible for providing a current listing of enrolled employees and for providing timely pro-rata payments of premiums to the Consortium for employee health coverage and dental benefits. The Consortium is responsible for the management and operations of the program. Upon termination from the Consortium, for any reason, the terminated member relinquishes their portion of equity in the Consortium's cash pool.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be up to statutory maximum amounts amended by the SERS' Retirement Board. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2013, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's contributions to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were $208,106, $129,034, and $139,705 respectively. For fiscal year 2013, 72 percent has been contributed and 100 percent for the fiscal years 2012 and 2011. $53,791 represents the unpaid contribution for fiscal year 2013 and is recorded as a liability within the respective funds.

B. State Teachers Retirement System of Ohio

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

NOTE 11 - DEFINED BENEFIT PENSION 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 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 a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts 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 of 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 years of 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 years, 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 contributions 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 member's 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.

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. Are employed retiree may alternatively 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 includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. 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 - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

For the fiscal years ended June 30, 2013, 2012, and 2011, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011 were $426,693, $412,553, and $416,512, respectively. For fiscal year 2013, 84 percent has been contributed and 100 percent for fiscal years 2012 and 2011. $69,368 represents the unpaid contribution for fiscal year 2013 and is recorded as a liability within the respective funds.

STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

C. Social Security System

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

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 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 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 the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2013, 2012, and 2011, the actuarially required allocations were 0.74 percent, 0.75 percent, and 0.76 percent, respectively. For the School District, contributions for the fiscal years ended June 30, 2013, 2012, and 2011, were $8,524, $7,620, and $8,990, respectively, which equaled the required allocations for those years.

NOTE 12 - POSTEMPLOYMENT BENEFITS (continued)

Health Care Plan Ohio Revised Code 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 Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2013, 2012, and 2011, the health care allocations were 0.16 percent, 0.55 percent, and 1.43 percent, respectively. 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. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent 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 when added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. For the School District, the amounts contributed to fund health care benefits, including the surcharge, during the 2013, 2012, and 2011 fiscal years equaled $22,868, $28,918, and $40,246, respectively, which equaled the required allocations for those years.

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 upon 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.orgunder Employers/Audit Resources.

B. State Teachers Retirement System of Ohio

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan; and a combined plan, which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Section 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.orgor by requesting a copy by calling toll free (888) 227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were $32,682, $31,735, and $32,039, respectively, which equaled the required allocations for those years.

NOTE 13 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified and administrative employees earn 10 to 25 days of vacation per fiscal year, depending upon length of service. Teachers do not earn vacation time. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

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

B. Special Termination Benefit

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

C. Health Care Benefits

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

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2013 were as follows:

	Amount Outstanding 6/30/12	Additions	Deductions	Amount Outstanding 6/30/13	Due in One Year
School Improvement Refunding					
Bonds 2006 3.75 - 4.5%	$ 7,415,000	$ -	$ 360,000	$ 7,055,000	$ 380,000
Premium on Refunding	101,244	-	4,602	96,642	-
Total Long-Term Bonds and Loans	7,516,244	-	364,602	7,151,642	380,000
Compensated Absences	422,937	601,429	587,478	436,888	54,309
Total General Long-Term Obligations	$ 7,939,181	$ 601,429	$ 952,080	$ 7,588,530	$ 434,309

School Improvement Refunding Bonds 2006

The School District issued $8,850,000 in general obligation bonds for the purpose of retiring the Classroom Facilities Bond Anticipation Notes, currently refunding $340,000 of the 1995 School Improvement Bonds and advance refunding $1,615,000 of the 1996 School Improvement Bonds. Of these bonds, $3,390,000 are serial bonds and $5,460,000 are term bonds. The bonds were issued for a 28 year period with final maturity on December 1, 2033. The bonds will be retired with property taxes from the Debt Service Fund.

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

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

Fiscal Year	Amount
2018	$440,000
2019	260,000
2020	230,000
2021	240,000
2022	255,000
Total	$1,425,000

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

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

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

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

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

The School District defeased the 1996 School Improvement Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments due on the old bonds. Accordingly, the trust assets and the liability of the defeased bonds are not included in the School District's financial statements. The defeased amount of the bonds were paid in full in fiscal year 2008.

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire the school improvement refunding bonds outstanding at June 30, 2013, are as follows:

	School Improvement Refunding Bonds 2007		
Fiscal Year Ending June 30,	Principal	Interest	Total
2014	$ 380,000	$ 299,218	$ 679,218
2015	390,000	283,238	673,238
2016	400,000	266,548	666,548
2017	425,000	249,016	674,016
2018	440,000	230,635	670,635
2019-2023	1,250,000	974,967	2,224,967
2024-2028	1,495,000	682,087	2,177,087
2029-2033	1,855,000	300,937	2,155,937
2034	420,000	18,900	438,900
Total	$ 7,055,000	$ 3,305,546	$ 10,360,546

Compensated absences will be paid from the General Fund.

The School District's overall legal debt margin was $2,952,231 with an unvoted debt margin of $92,831 at June 30, 2013.

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

A. South Central Ohio Computer Association Council of Governments

The School District is a participant in the South Central Ohio Computer Association Council of Governments (SCOCA COG) which is an information technology center. SCOCA COG is a council of governments providing information technology services to 58 public education entities, 58 non-public education entities, and public libraries from 24 Ohio counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA COG consists of two representatives from each county elected by majority vote of all charter member school districts within each county, two treasurers elected by majority vote of all charter member school districts, and one representative from the fiscal agent. The District paid SCOCA COG $56,760 for services provided during the year. Financial information for SCOCA COG can be obtained from their fiscal office located at Pike County Career Technology Center, P.O. Box 577, 175 Beaver Creek, Piketon, Ohio 45661.

B. Southern Hills Joint Vocational School District

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

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS (continued)

C. Unified Purchasing Cooperative of the Ohio River Valley

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

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

Financial information can be obtained from Don Rabe, Treasurer, Hamilton County Educational Service Center, at 11083 Hamilton Avenue, Cincinnati, Ohio, 45231.

NOTE 16 - PUBLIC ENTITY SHARED RISK AND INSURANCE PURCHASING POOL

Brown County Schools Benefits Consortium

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

NOTE 17 - INSURANCE PURCHASING POOL

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

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

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

NOTE 18 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	Capital Maintenance
Set Aside Reserve Balance as of June 30, 2012	$0
Current Year Set-aside Requirement	159,282
Current Year Offsets	(157,821)
Current Year Qualifying Expenditures	(1,461)
Total	$0
Balance Carried Forward to Fiscal Year 2014	$0
Set Aside Reserve Balance as of June 30, 2013	$0

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

NOTE 19 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.

B. Litigation

The School District is not party to any legal proceedings.

NOTE 20 - INTERFUND ACTIVITY

Interfund Transfers

During fiscal year 2013, the School District transferred monies from the OSFC LFI non-major capital projects fund to the Classroom Facilities non-major capital projects fund in the amount of $64,756 as directed by the Ohio School Facilities Commission.

NOTE 20 - INTERFUND ACTIVITY (continued)

Interfund Balances

Interfund balances at June 30, 2013, consist of the following individual fund receivables and payables:

	Interfund Receivable	Interfund Payable
Major Fund:		
General	$4,165	$0
Non-major Funds:		
Race to the Top	0	165
Miscellaneous Federal Grants	0	4,000
Total Non-major Funds	0	4,165
Total	$4,165	$4,165

The interfund receivables in the General fund are partially the result of the School District moving unrestricted monies to support funds whose grants operate on a reimbursement basis. The General fund will be reimbursed when funds become available in the non-major special revenue funds.

NOTE 21 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF BALANCES

For 2013, the District implemented Governmental Accounting Standard Board (GASB) Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements," GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities."

GASB Statement No. 62 incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements.

Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. GASB 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position.

Statement No. 65 provides guidance on how to properly classify items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources. In addition, guidance is provided on recognizing certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

The implementation of GASB Statement No. 62 had no effect on the financial statements.

The implementation of GASB Statements No. 63 and 65 had the following effect on beginning net position; beginning net position decreased from $23,988,561 as of June 30, 2012 to $23,896,706 as of July 1, 2012. The $91,855 restatement is due to the removal of the remaining amount of bond issuance costs that had not yet been amortized.

The beginning balance on the budgetary basis was restated in the amount of $32,562. This restatement decreased the balance from $1,342,088 to $1,309,526. This restatement was to more fully comply with Governmental Accounting Standards Board (GASB) Statement No. 54.

Fayetteville-Perry Local School District
Brown County
Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2013

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
Passed through Ohio Department of Education						
Child Nutrition Cluster:						
National School Lunch Program	3L60	10.555	$ 152,900	$ 25,097	$ 152,900	$ 25,097
School Breakfast Program	3L70	10.553	44,760	-	44,760	-
Total Nutrition Cluster			197,660	25,097	197,660	25,097
Direct from Federal Government:						
State Administrative Expenses for Child Nutrition	NA	10.560	-	-	4,000	-
Total United States Department of Agriculture			197,660	25,097	201,660	25,097
United States Department of Education						
Passed through Ohio Department of Education						
Title I, Part A Cluster:						
Title I Grants to Local Educational Agencies	3M00	84.010	155,139	-	144,422	-
Title I Grants to Local Education Agencies, ARRA	3DK0	84.389	4,473	-	-	-
Total Title I, Part A Cluster			159,612	-	144,422	-
Special Education Cluster (IDEA):						
Special Education - Grants to States	3M20	84.027	179,909	-	171,296	-
Total Special Education Cluster			179,909	-	171,296	-
Improving Teacher Quality State Grants	3Y60	84.367	36,079	-	36,079	-
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, ARRA	3FD0	84.395	42,777	-	32,471	-
Education Jobs Fund	3ET0	84.410	46,776	-	46,766	-
Total United States Department of Education			465,153	-	431,034	-
Total Federal Financial Assistance			$ 662,813	$ 25,097	$ 632,694	$ 25,097

See accompanying notes to the schedule of federal awards receipts and expenditures.

FAYETTEVILLE-PERRY LOCAL SCHOOL DISTRICT
BROWN COUNTY

NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards receipts and expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTIONS

Non monetary assistance is reported in the schedule at the entitlement value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2013, the District had no significant food commodities in inventory.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

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

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 the Fayetteville-Perry Local School District, Brown County, Ohio (the School District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 16, 2013 wherein noted the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Internal Control over Financial Reporting

As part of our financial statement audit, we considered the School 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 School 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 School 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 School 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards.*

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 School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
December 16, 2013

Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited Fayetteville-Perry Local School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect Fayetteville-Perry Local School District's major federal program for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the School District's major federal program.

Management's Responsibility

The School District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for each of the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the School District's major program. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on the Major Federal Program

In our opinion, Fayetteville-Perry Local School District complied, in all material respects, with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance**.**

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
December 16, 2013

Fayetteville-Perry Local School District
Brown County

Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2013

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant internal control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under §.510(a)?	No
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster: National School Lunch Program, CFDA# 10.555 School Breakfast Program, CFDA# 10.553
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > $300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted

Independent Accountants' Report on Applying Agreed-Upon Procedures

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on April 15, 2010 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.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
December 16, 2013

FAYETTEVILLE-PERRY LOCAL SCHOOL DISTRICT

BROWN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 13, 2014

88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov