



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

**SINGLE AUDIT**

**FOR THE YEARS ENDED JUNE 30, 2003**



**Auditor of State  
Betty Montgomery**



FAYETTEVILLE-PERRY LOCAL SCHOOL DISTRICT  
BROWN COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Fayetteville-Perry Local School District, Brown County, Ohio (the District), as of and for the year ended June 30, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Fayetteville-Perry Local School District as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 18, 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

December 18, 2003

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**Fayetteville - Perry Local School District**  
**Combined Balance Sheet**  
**All Fund Types and Account Groups**  
**June 30, 2003**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b><u>Assets and Other Debits:</u></b>				
<b><u>Assets:</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$1,559,300	\$84,154	\$359,561	\$96,257
Receivables:				
Taxes	1,273,710	28,379	157,964	51,533
Accounts	515	3,646	0	0
Intergovernmental	13,793	6,290	0	0
Prepaid Items	11,578	4,019	0	1,018
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	0	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	15,837	0	0	0
Fixed Assets (Net, Where Applicable, of Accumulated Depreciation)	0	0	0	0
<b><u>Other Debits:</u></b>				
Amount Available in Debt Service Fund for the Retirement of General Obligations	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	<u>\$2,874,733</u>	<u>\$126,488</u>	<u>\$517,525</u>	<u>\$148,808</u>



Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$97,647	\$27,971	\$0	\$0	\$2,224,890
0	0	0	0	1,511,586
27	0	0	0	4,188
8,215	0	0	0	28,298
110	0	0	0	16,725
7,590	0	0	0	7,590
1,351	0	0	0	1,351
0	0	0	0	15,837
149,924	0	16,443,718	0	16,593,642
0	0	0	394,163	394,163
0	0	0	2,425,731	2,425,731
<u>\$264,864</u>	<u>\$27,971</u>	<u>\$16,443,718</u>	<u>\$2,819,894</u>	<u>\$23,224,001</u>

(continued)

**Fayetteville - Perry Local School District**  
**Combined Balance Sheet**  
**All Fund Types and Account Groups**  
**June 30, 2003**  
(Continued)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b><u>Liabilities,</u></b>				
<b><u>Fund Equity and Other Credits:</u></b>				
<b><u>Liabilities:</u></b>				
Accounts Payable	\$12,788	\$9,195	\$0	\$4,312
Accrued Wages and Benefits	506,508	11,282	0	0
Compensated Absences Payable	13,073	0	0	0
Intergovernmental Payable	94,414	2,468	0	0
Deferred Revenue	1,042,943	28,903	123,362	39,999
Undistributed Monies	0	0	0	0
Energy Conservation Loan Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
<b>Total Liabilities</b>	<b>1,669,726</b>	<b>51,848</b>	<b>123,362</b>	<b>44,311</b>
<b><u>Fund Equity and Other Credits:</u></b>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	117,310	13,074	0	4,755
Reserved for Property Taxes	230,767	5,766	34,602	11,534
Reserved for School Bus Purchases	15,837	0	0	0
Unreserved:				
Undesignated	841,093	55,800	359,561	88,208
<b>Total Fund Equity and Other Credits</b>	<b>1,205,007</b>	<b>74,640</b>	<b>394,163</b>	<b>104,497</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$2,874,733</b>	<b>\$126,488</b>	<b>\$517,525</b>	<b>\$148,808</b>

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$175	\$0	\$0	\$0	\$26,470
18,917	0	0	0	536,707
0	0	0	191,690	204,763
11,257	0	0	50,106	158,245
0	0	0	0	1,235,207
0	27,971	0	0	27,971
0	0	0	18,573	18,573
0	0	0	2,559,525	2,559,525
<u>30,349</u>	<u>27,971</u>	<u>0</u>	<u>2,819,894</u>	<u>4,767,461</u>
0	0	16,443,718	0	16,443,718
182,953	0	0	0	182,953
51,562	0	0	0	51,562
0	0	0	0	135,139
0	0	0	0	282,669
0	0	0	0	15,837
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,344,662</u>
<u>234,515</u>	<u>0</u>	<u>16,443,718</u>	<u>0</u>	<u>18,456,540</u>
<u>\$264,864</u>	<u>\$27,971</u>	<u>\$16,443,718</u>	<u>\$2,819,894</u>	<u>\$23,224,001</u>

**Fayetteville-Perry Local School District**  
**Combined Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**All Governmental Fund Types**  
**For the Fiscal Year Ended June 30, 2003**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b><u>Revenues:</u></b>					
Property Taxes	\$1,215,048	\$29,373	\$156,897	\$58,857	\$1,460,175
Intergovernmental	4,502,876	301,686	20,724	18,389	4,843,675
Interest	30,618	54	0	0	30,672
Tuition and Fees	237,880	0	0	0	237,880
Rent	6,436	0	0	0	6,436
Extracurricular Activities	0	55,374	0	0	55,374
Gifts and Donations	0	15,934	0	0	15,934
Miscellaneous	51,978	5,750	0	0	57,728
<b>Total Revenues</b>	<b>6,044,836</b>	<b>408,171</b>	<b>177,621</b>	<b>77,246</b>	<b>6,707,874</b>
<b><u>Expenditures:</u></b>					
Current:					
Instruction:					
Regular	2,470,927	95,877	0	7,700	2,574,504
Special	473,767	94,664	0	0	568,431
Vocational	74,508	0	0	0	74,508
Support Services:					
Pupils	161,876	77,116	0	0	238,992
Instructional Staff	414,475	38,970	0	49,623	503,068
Board of Education	33,582	0	0	0	33,582
Administration	705,322	19,035	0	0	724,357
Fiscal	232,901	810	4,868	1,622	240,201
Operation and Maintenance of Plant	583,160	35,658	0	13,592	632,410
Pupil Transportation	409,825	0	0	25,568	435,393
Central	3,749	0	0	0	3,749
Non-Instructional Services	12,730	1,922	0	0	14,652
Extracurricular Activities	92,961	56,655	0	0	149,616
Debt Service:					
Principal Retirement	47,683	0	81,777	12,627	142,087
Interest and Fiscal Charges	6,703	0	151,272	1,765	159,740
<b>Total Expenditures</b>	<b>5,724,169</b>	<b>420,707</b>	<b>237,917</b>	<b>112,497</b>	<b>6,495,290</b>
Excess of Revenues Over (Under) Expenditures	320,667	(12,536)	(60,296)	(35,251)	212,584
<b><u>Other Financing Sources (Uses):</u></b>					
Proceeds from Sale of Fixed Assets	505	0	0	0	505
Operating Transfers - In	0	0	29,251	0	29,251
Operating Transfers - Out	(29,251)	0	0	0	(29,251)
<b>Total Other Financing Sources (Uses)</b>	<b>(28,746)</b>	<b>0</b>	<b>29,251</b>	<b>0</b>	<b>505</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	291,921	(12,536)	(31,045)	(35,251)	213,089
Fund Balances at Beginning of Year	913,086	87,176	425,208	139,748	1,565,218
Fund Balances at End of Year	<u>\$1,205,007</u>	<u>\$74,640</u>	<u>\$394,163</u>	<u>\$104,497</u>	<u>\$1,778,307</u>

See accompanying notes to the general purpose financial statements

*Fayetteville - Perry Local School District  
 Combined Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Budget and Actual (Budget Basis)  
 All Governmental Fund Types  
 For the Fiscal Year Ended June 30, 2003*

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Revenues:</u></b>			
Property Taxes	\$1,153,390	\$1,153,390	\$0
Intergovernmental	4,624,125	4,500,335	(123,790)
Interest	30,618	30,618	0
Tuition and Fees	114,090	237,880	123,790
Rent	6,436	6,436	0
Miscellaneous	47,939	50,059	2,120
Total Revenues	<u>5,976,598</u>	<u>5,978,718</u>	<u>2,120</u>
<b><u>Expenditures:</u></b>			
Current:			
Instruction:			
Regular	3,064,286	2,451,501	612,785
Special	464,274	481,889	(17,615)
Vocational	76,953	106,001	(29,048)
Support Services:			
Pupils	133,890	157,899	(24,009)
Instructional Staff	927,675	411,504	516,171
Board of Education	41,383	33,458	7,925
Administration	485,779	716,227	(230,448)
Fiscal	168,016	228,246	(60,230)
Operation and Maintenance of Plant	441,621	626,268	(184,647)
Pupil Transportation	422,635	493,194	(70,559)
Central	1,875	3,749	(1,874)
Non-Instructional Services	7,776	12,730	(4,954)
Extracurricular Activities	69,233	93,565	(24,332)
Capital Outlay	4,578	0	4,578
Debt Service:			
Principal Retirement	17,311	47,683	(30,372)
Interest and Fiscal Charges	0	6,703	(6,703)
Total Expenditures	<u>6,327,285</u>	<u>5,870,617</u>	<u>456,668</u>
Excess of Revenues Over (Under) Expenditures	<u>(350,687)</u>	<u>108,101</u>	<u>458,788</u>
<b><u>Other Financing Sources (Uses):</u></b>			
Proceeds from the Sale of Fixed Assets	505	505	0
Refund of Prior Year Expenditures	1,919	1,919	0
Operating Transfers-Out	(23,438)	(29,251)	(5,813)
Total Other Financing Sources (Uses)	<u>(21,014)</u>	<u>(26,827)</u>	<u>(5,813)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(371,701)	81,274	452,975
Fund Balances at Beginning of Year	1,108,549	1,108,549	0
Prior Year Encumbrances Appropriated	254,778	254,778	0
Fund Balances at End of Year	<u>\$991,626</u>	<u>\$1,444,601</u>	<u>\$452,975</u>

(Continued)

**Fayetteville - Perry Local School District**  
**Combined Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual (Budget Basis)**  
**All Governmental Fund Types**  
**For the Fiscal Year Ended June 30, 2003**  
**(Continued)**

	Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Revenues:</u></b>			
Property Taxes	\$27,735	\$27,735	\$0
Intergovernmental	301,686	301,686	0
Interest	54	54	0
Extracurricular Activities	54,804	54,804	0
Gifts and Donations	13,282	13,282	0
Miscellaneous	5,750	5,750	0
Total Revenues	<u>403,311</u>	<u>403,311</u>	<u>0</u>
<b><u>Expenditures:</u></b>			
Current:			
Instruction:			
Regular	112,625	97,885	14,740
Special	95,320	84,108	11,212
Other	13,948	13,638	310
Support Services:			
Pupils	74,481	77,116	(2,635)
Instructional Staff	44,378	39,003	5,375
Administration	21,801	21,801	0
Fiscal	1,000	810	190
Operation and Maintenance of Plant	47,109	43,915	3,194
Non-Instructional Services	2,422	2,422	0
Extracurricular Activities	74,362	65,981	8,381
Total Expenditures	<u>487,446</u>	<u>446,679</u>	<u>40,767</u>
Excess of Revenues Over (Under) Expenditures	(84,135)	(43,368)	40,767
<b><u>Other Financing Sources:</u></b>			
Refund of Prior Year Expenditures	1,047	1,047	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	(83,088)	(42,321)	40,767
Fund Balances at Beginning of Year	73,690	73,690	0
Prior Year Encumbrances Appropriated	<u>38,442</u>	<u>38,442</u>	<u>0</u>
Fund Balances at End of Year	<u>\$29,044</u>	<u>\$69,811</u>	<u>\$40,767</u>

(Continued)

**Fayetteville - Perry Local School District**  
**Combined Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual (Budget Basis)**  
**All Governmental Fund Types**  
**For the Fiscal Year Ended June 30, 2003**  
**(Continued)**

	Debt Service Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Revenues:</u></b>			
Property Taxes	\$166,866	\$166,866	\$0
Intergovernmental	20,724	20,724	0
Total Revenues	<u>187,590</u>	<u>187,590</u>	<u>0</u>
<b><u>Expenditures:</u></b>			
Support Services:			
Fiscal	4,739	4,868	(129)
Debt Service:			
Principal Retirement	145,474	81,777	63,697
Interest and Fiscal Charges	126,021	151,272	(25,251)
Total Expenditures	<u>276,234</u>	<u>237,917</u>	<u>38,317</u>
Excess of Revenues Over (Under) Expenditures	(88,644)	(50,327)	38,317
<b><u>Other Financing Sources:</u></b>			
Operating Transfers-In	<u>29,251</u>	<u>29,251</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	(59,393)	(21,076)	38,317
Fund Balances at Beginning of Year	<u>380,637</u>	<u>380,637</u>	<u>0</u>
Fund Balances at End of Year	<u><u>\$321,244</u></u>	<u><u>\$359,561</u></u>	<u><u>\$38,317</u></u>

(Continued)

**Fayetteville - Perry Local School District**  
**Combined Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual (Budget Basis)**  
**All Governmental Fund Types**  
**For the Fiscal Year Ended June 30, 2003**  
**(Continued)**

	<u>Capital Projects Funds</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b><u>Revenues:</u></b>			
Property Taxes	\$55,622	\$55,622	\$0
Intergovernmental	18,389	18,389	0
Total Revenues	<u>74,011</u>	<u>74,011</u>	<u>0</u>
<b><u>Expenditures:</u></b>			
Current:			
Instruction:			
Regular	2,905	7,700	(4,795)
Support Services:			
Instructional Staff	77,148	55,400	21,748
Fiscal	1,166	1,622	(456)
Operation and Maintenance of Plant	12,740	13,592	(852)
Pupil Transportation	30,000	25,568	4,432
Debt Service:			
Principal Retirement	8,910	12,627	(3,717)
Interest and Fiscal Charges	1,672	1,765	(93)
Total Expenditures	<u>134,541</u>	<u>118,274</u>	<u>16,267</u>
Excess of Revenues Over (Under) Expenditures	(60,530)	(44,263)	16,267
<b><u>Other Financing Sources:</u></b>			
Refund of Prior Year Expenditures	<u>4</u>	<u>4</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	(60,526)	(44,259)	16,267
Fund Balances at Beginning of Year	88,848	88,848	0
Prior Year Encumbrances Appropriated	<u>42,601</u>	<u>42,601</u>	<u>0</u>
Fund Balances at End of Year	<u><u>\$70,923</u></u>	<u><u>\$87,190</u></u>	<u><u>\$16,267</u></u>

See accompanying notes to the general purpose financial statements



**Fayetteville-Perry Local School District  
 Combined Statement of Revenues,  
 Expenses and Changes in Fund Equity  
 Proprietary Fund Type  
 For the Fiscal Year Ended June 30, 2003**

	Enterprise
<b><u>Operating Revenues:</u></b>	
Sales	\$260,551
Other Operating Revenues	34
Total Operating Revenues	260,585
<b><u>Operating Expenses:</u></b>	
Salaries	107,025
Fringe Benefits	37,753
Purchased Services	27,939
Materials and Supplies	51,429
Cost of Sales	122,379
Depreciation	11,832
Other	35
Total Operating Expenses	358,392
Operating Loss	(97,807)
<b><u>Non-Operating Revenues (Expenses):</u></b>	
Interest	1,730
Federal Donated Commodities	28,276
Federal and State Subsidies	61,889
Total Non-Operating Revenues (Expenses)	91,895
Net Loss	(5,912)
Retained Earnings at Beginning of Year	57,474
Retained Earnings at End of Year	51,562
Contributed Capital at Beginning and End of Year	182,953
Total Fund Equity at End of Year	\$234,515

See accompanying notes to the general purpose financial statements

***Fayetteville-Perry Local School District  
Combined Statement of Revenues, Expenses and  
Changes in Fund Equity - Budget and Actual (Budget Basis)  
Proprietary Fund Type  
For the Fiscal Year Ended June 30, 2003***

	Enterprise Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
<b><u>Revenues:</u></b>			
Sales	\$260,824	\$260,824	\$0
Interest	1,730	1,730	0
Federal and State Subsidies	53,674	53,674	0
Refund of Prior Year Expense	7	7	0
Other	(70)	0	70
	<hr/>	<hr/>	<hr/>
Total Revenues	316,165	316,235	70
	<hr/>	<hr/>	<hr/>
<b><u>Expenses:</u></b>			
Salaries	99,962	105,857	(5,895)
Fringe Benefits	73,845	35,391	38,454
Purchased Services	22,193	29,912	(7,719)
Materials and Supplies	159,099	153,913	5,186
Capital Outlay	1,357	785	572
Other	26	35	(9)
	<hr/>	<hr/>	<hr/>
Total Expenses	356,482	325,893	30,589
	<hr/>	<hr/>	<hr/>
Excess of Revenues Over (Under) Expenses	(40,317)	(9,658)	30,659
Fund Equity at Beginning of Year	83,825	83,825	0
Prior Year Encumbrances Appropriated	16,482	16,482	0
	<hr/>	<hr/>	<hr/>
Fund Equity at End of Year	\$59,990	\$90,649	\$30,659
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See accompanying notes to the general purpose financial statements

**Fayetteville-Perry Local School District  
 Combined Statement of Cash Flows  
 Proprietary Fund Type  
 For the Fiscal Year Ended June 30, 2003**

	Enterprise
<b><u>Increase (Decrease) in Cash and Cash Equivalents:</u></b>	
<b><u>Cash Flows from Operating Activities:</u></b>	
Cash Received from Customers	\$260,831
Cash Payments to Suppliers for Goods and Services	(176,862)
Cash Payments to Employees for Services	(105,857)
Cash Payments for Employee Benefits	(35,391)
Net Cash Used for Operating Activities	(57,279)
<b><u>Cash Flows from Noncapital Financing Activities:</u></b>	
Operating Grants Received	53,674
<b><u>Cash Flows from Capital and Related Financing Activities:</u></b>	
Payments for Capital Acquisitions	(785)
<b><u>Cash Flows from Investing Activities:</u></b>	
Interest on Investments	1,730
Net Decrease in Cash and Cash Equivalents	(2,660)
Cash and Cash Equivalents at Beginning of Year	100,307
Cash and Cash Equivalents at End of Year	\$97,647
<b><u>Reconciliation of Operating Loss to Net</u></b>	
<b><u>Cash Used for Operating Activities:</u></b>	
Operating Loss	(\$97,807)
<b><u>Adjustments to Reconcile Operating</u></b>	
<b><u>Loss to Net Cash Used for Operating Activities:</u></b>	
Depreciation	11,832
Donated Commodities Received During Year	28,276
<b><u>Changes in Assets and Liabilities:</u></b>	
Decrease in Accounts Receivable	246
Increase in Materials and Supplies Inventory	(158)
Increase in Inventory Held for Resale	(1,170)
Increase in Prepaid Items	(110)
Decrease in Accrued Interest	82
Increase in Accrued Wages and Benefits	1,729
Decrease in Intergovernmental Payable	(199)
Total Adjustments	40,528
Net Cash Used for Operating Activities	(\$57,279)

**Non-Cash Transactions:** The School District received \$28,276 in donated commodities during the year in the food service enterprise fund.

See accompanying notes to the general purpose financial statements

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Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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

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

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

*Reporting Entity:*

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

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

The School District participates in four organizations, two 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 (SCOCA), the Hopewell Special Education Regional Resource Center (Hopewell), the Brown County Schools Benefits Consortium, and the Ohio Association of School Business Officials (OASBO) Workers’ Compensation Group Rating Plan and Sheakley Uniservice, Inc. These organizations are presented in Notes 15, 16 and 17 to the general purpose financial statements.

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

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

**A. Basis Of Presentation - Fund Accounting**

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

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

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

*Governmental Fund Types:*

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

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

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

Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

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

*Proprietary Fund Type:*

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

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

*Fiduciary Fund Type:*

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

*Account Groups:*

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

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

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**B. Measurement Focus and Basis of Accounting**

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

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

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

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

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6.) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the 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 as an advance, tuition, grants, student fees and rentals.



**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

**C. Budgetary Process**

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

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

*Tax Budget:*

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

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

Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

*Estimated Resources:*

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

*Appropriations:*

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

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

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

*Encumbrances:*

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

Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

*Lapsing of Appropriations:*

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

**D. Cash and Cash Equivalents**

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

During fiscal year 2003, the School District's investments were limited to the State Treasury Assets Reserve of Ohio (STAR Ohio) and repurchase agreements. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2003.

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 2003 amounted to \$30,618 which includes \$10,005 assigned from other School District funds.

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

**E. Inventory**

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**G. Fixed Assets and Depreciation**

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

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

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

**H. Compensated Absences**

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

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the enterprise fund, the entire amount of compensated absences is reported as a fund liability.

**I. Accrued Liabilities and Long-term Obligations**

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

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

**J. Interfund Transactions**

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

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

**K. Restricted Assets**

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

**L. Fund Balance Reserves**

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

Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

**M. Estimates**

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

**N. Contributed Capital**

Prior to fiscal year 2001, contributed capital represented resources from other funds, other governments, and private sources provided to proprietary fund that is not subject to repayment. Because the School District had not prepared financial statements in accordance with Generally Accepted Accounting Principles prior to fiscal year 1995, the exact amount of contributed capital pertaining to prior fiscal years cannot be determined. Consequently, only those amounts that have been able to be identified specifically have been classified as contributed capital in the accompanying combined financial statements.

Capital contributions received after fiscal year 2000 from other governments and private sources have been recorded as revenues and are reported as retained earnings. Contributions from other funds are still recorded as contributed capital. There was no change in contributed capital during fiscal year 2003.

**O. Total Columns on General Purpose Financial Statements**

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

**NOTE 3 - ACCOUNTABILITY**

At June 30, 2003, the Title I Special Revenue Fund had a deficit fund balance of \$142. The general fund provides transfers to cover the deficit balance; however, this is done when cash is needed rather than when accruals occur.

Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 4 - BUDGET TO GAAP RECONCILIATION**

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

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

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

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

Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$291,921	(\$12,536)	(\$31,045)	(\$35,251)
Adjustments:				
Revenue Accruals	(64,199)	(3,813)	9,969	(3,231)
Expenditure Accruals	(15,912)	(11,629)	0	3,290
Encumbrances	(130,536)	(14,343)	0	(9,067)
Budget Basis	\$81,274	(\$42,321)	(\$21,076)	(\$44,259)

Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 4 - BUDGET TO GAAP RECONCILIATION** (Continued)

Net Loss/Excess of Revenues Under Expenses Proprietary Fund Type	
	Enterprise
GAAP Basis	(\$5,912)
Adjustments:	
Revenue Accruals	(36,245)
Expense Accruals	25,552
Materials and Supplies Inventory	158
Inventory Held for Resale	1,170
Depreciation	11,832
Acquisition of Fixed Assets	785
Encumbrances	(6,998)
Budget Basis	(\$9,658)

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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



Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 5 - DEPOSITS AND INVESTMENTS** (Continued)

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

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

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

Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 5 - DEPOSITS AND INVESTMENTS** (Continued)

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

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

Deposits: At fiscal year-end, the carrying amount of the School District's deposits was (\$114,161) and the bank balance was \$67,000. The entire bank balance was covered by federal depository insurance.

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

	Category 3	Carrying/Fair Value
STAR Ohio	\$0	\$2,155,981
Repurchase Agreements	198,907	198,907
Total	\$198,907	\$2,354,888

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

Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 5 - DEPOSITS AND INVESTMENTS** (Continued)

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$2,240,727	\$0
Investments:		
STAR Ohio	(2,155,981)	2,155,981
Repurchase Agreements	(198,907)	198,907
GASB Statement No. 3	(\$114,161)	\$2,354,888

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 6 - PROPERTY TAXES** (Continued)

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Brown County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2003 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 reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2003, was \$230,767 in the general fund, \$5,766 in the classroom facilities maintenance Special Revenue Fund, \$34,602 in the debt service fund, and \$11,534 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2002, was \$169,109 in the general fund, \$4,128 in the classroom facilities maintenance Special Revenue Fund, \$44,571 in the debt service fund, and \$8,299 in the permanent improvement capital projects fund.

Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 6 - PROPERTY TAXES** (Continued)

The assessed values upon which the fiscal year 2003 taxes were collected are:

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$57,137,680	93.32%	\$58,666,350	94.92%
Public Utility Property	3,481,370	5.69%	2,591,070	4.19%
Tangible Personal Property	608,208	0.99%	547,330	0.89%
Total Assessed Value	<u>\$61,227,258</u>	<u>100.00%</u>	<u>\$61,804,750</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	39.90		39.90	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2003, consisted of property taxes, accounts (tuition and student fees) and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Student fees are also considered collectible in full due to the withholding of diplomas and grade cards.

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

	Amount
General Fund	
School Finance and Accountability Adjustment	\$13,793
Special Revenue Fund	
Title I	6,290
Enterprise Fund	
Lunchroom Fund	8,215
Total All Funds	<u>\$28,298</u>

Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 8 - FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 2003 follows:

Furniture and Equipment	\$299,234
Less: Accumulated Depreciation	<u>(149,310)</u>
Net Fixed Assets	<u><u>\$149,924</u></u>

A summary of the changes in general fixed assets during fiscal year 2003 follows:

<u>Asset Category</u>	<u>Balance at July 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2003</u>
Land	\$976,153	\$0	\$1,796	\$974,357
Buildings and Improvements	12,556,583	5,600	0	12,562,183
Furniture, Fixtures and Equipment	2,046,012	58,049	39,344	2,064,717
Vehicles	787,949	78,212	23,700	842,461
Total	<u>\$16,366,697</u>	<u>\$141,861</u>	<u>\$64,840</u>	<u>\$16,443,718</u>

**NOTE 9 - RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003, the School District contracted with Selective Insurance for general liability insurance with a \$2,000,000 single occurrence limit and a \$4,000,000 aggregate. Property is protected by the Selective Insurance Company and holds a \$1,000 deductible.

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

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

**NOTE 9 - RISK MANAGEMENT** (Continued)

**B. Worker's Compensation**

For fiscal year 2003, 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 participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Uniservice, Inc. 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 six districts. Medical coverage is provided through Medical Mutual provide medical coverage and the dental coverage is being provided through a shared risk pool based on member district's 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 shall assume and be responsible for the payment of any delinquent contributions relating to the medical insurance and all claims related to dental of its employees from the date of termination, regardless of the date such claims were incurred.

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 E. Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

**NOTE 10 - DEFINED BENEFIT PENSION PLANS** (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$85,701, \$53,687, and \$31,066, respectively; 58.21 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. \$35,813 representing the unpaid contribution for fiscal year 2003, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System of Ohio**

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

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

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



Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS** (Continued)

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001 were \$332,432, \$229,829, and \$238,525, respectively; 81.73 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$2,352,636 made by the School District and \$1,562,823 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2003, five members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

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

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$25,572 for fiscal year 2003.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS Ohio were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 11 - POSTEMPLOYMENT BENEFITS** (Continued)

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2002. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay was established at \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$78,811.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002 (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**NOTE 12 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 212 days. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of 45 days. If an employee chooses to retire in the first year in which they become eligible, they will be compensated for one-half of the accrued, but unused sick leave credit to a maximum of 103 days.

**B. Insurance Benefits**

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Jefferson Pilot. Dental insurance is provided by the School District to all employees through CoreSource, Inc.

Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 13 - LONG-TERM OBLIGATIONS**

The change in the School District's long-term obligations during the fiscal year 2003 were as follows:

	Principal Outstanding July 1, 2002	Additions	Deletions	Principal Outstanding June 30, 2003
<u>General Obligation Debt</u>				
Technology Equipment Acquisition Bonds 2001 4.78%	\$86,351	\$0	\$27,435	\$58,916
Various Purpose Refunding Bonds 2001 4.78%	103,484	0	32,875	70,609
School Improvement Bonds 1996 6.00%	2,060,000	0	40,000	2,020,000
School Improvement Bonds 1995 6.25%	425,000	0	15,000	410,000
Total General Obligation Debt	<u>2,674,835</u>	<u>0</u>	<u>115,310</u>	<u>2,559,525</u>
<u>Other Long-Term Obligations</u>				
Energy Conservation Loan 1993 Variable	45,350	0	26,777	18,573
Pension Obligation	42,063	50,106	42,063	50,106
Compensated Absences Payable	203,411	0	11,721	191,690
Total General Long-Term Obligations	<u>\$2,965,659</u>	<u>\$50,106</u>	<u>\$195,871</u>	<u>\$2,819,894</u>

*Technology Equipment Acquisition Bonds*

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

*Various Purpose Refunding Bonds - Current Refinancing*

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

Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 13 - LONG-TERM OBLIGATIONS** (Continued)

*School Improvement General Obligation Bonds*

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

*School Improvement General Obligation Bonds*

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

*Energy Conservation Loan*

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

Compensated absences and the pension obligation will be paid from the funds from which the employees' salaries are paid.

The School District's overall legal debt margin was \$3,397,070, an energy conservation debt margin of \$537,670, with an unvoted debt margin of \$61,805 at June 30, 2003.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2003 are as follows:

Technology Equipment Acquisition Bonds			
Fiscal Year			
Ending June 30,	Principal	Interest	Total
2004	\$28,763	\$2,477	\$31,240
2005	30,153	1,085	31,238
Total	<u>\$58,916</u>	<u>\$3,562</u>	<u>\$62,478</u>

Various Purpose Refunding Bonds			
Fiscal Year			
Ending June 30,	Principal	Interest	Total
2004	\$34,473	\$2,968	\$37,441
2005	36,136	1,301	37,437
Total	<u>\$70,609</u>	<u>\$4,269</u>	<u>\$74,878</u>

Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 13 - LONG-TERM OBLIGATIONS** (Continued)

School Improvement Bonds			
Fiscal Year Ending June 30,	Principal	Interest	Total
2004	\$70,000	\$144,700	\$214,700
2005	90,000	139,856	229,856
2006	95,000	134,263	229,263
2007	105,000	128,219	233,219
2008	135,000	120,975	255,975
2009-2013	845,000	463,611	1,308,611
2014-2018	1,050,000	175,238	1,225,238
2019	40,000	1,250	41,250
Total	\$2,430,000	\$1,308,112	\$3,738,112

Energy Conservation Loan		
Fiscal Year Ending June 30,	Principal	Interest
2004	\$18,573	\$7,515

**NOTE 14 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the Fayetteville-Perry Local School District as of and for the fiscal year ended June 30, 2003:

	Food Service	Uniform School Supplies	Total
Operating Revenues	\$226,095	\$34,490	\$260,585
Depreciation Expense	11,832	0	11,832
Operating Income (Loss)	(102,506)	4,699	(97,807)
Federal Donated Commodities	28,276	0	28,276
Interest	1,730	0	1,730
Federal and State Subsidies	61,889	0	61,889
Net Income (Loss)	(10,611)	4,699	(5,912)
Fixed Asset Additions	785	0	785
Fixed Asset Deletions	(1,953)	0	(1,953)
Net Working Capital	58,758	25,833	84,591
Total Assets	239,031	25,833	264,864
Total Equity	208,682	25,833	234,515
Encumbrances at June 30, 2003	(\$4,737)	(\$2,261)	(\$6,998)

**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS**

The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, Jackson, Vinton and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The governing Board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers plus a representative of the fiscal agent. The School District paid SCOCA \$37,712 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School, Tonya Cooper, who serves as Treasurer, at P.O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

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

**NOTE 16 - PUBLIC ENTITY SHARED RISK AND INSURANCE PURCHASING POOL**

The Brown County Schools Benefits Consortium, a public entity risk and insurance purchasing pool, currently operates to provide health insurance (insurance purchasing pool) and dental coverage (public entity 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) have entered into an agreement with the Brown County Educational Service Center to form the Brown County Schools Benefits Consortium. The overall objectives of the consortium are to formulate and administer a program of health and dental insurance for the benefit of the consortium members' employees and their dependents. The consortium contracts with Medical Mutual of Ohio 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 School District's claims are low, it will not receive a refund. Dental coverage is administered through a third party administrator, CoreSource. Participating member district's pay an administrative fee to the fiscal agent to cover the costs associated with the administering of the Consortium. To obtain financial information write to Brown County Educational Service Center at 325 West State St., Georgetown, Ohio 45121.

**NOTE 17 - INSURANCE PURCHASING POOL**

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 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 purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 18 - SET-ASIDE CALCULATIONS AND FUND RESERVES** (Continued)

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

	Textbooks	Capital Acquisition
Set-Aside Reserve Balance at June 30, 2002	(\$313,534)	\$0
Current Year Set-Aside Requirements	127,087	127,087
Current Year Off-Sets	0	(31,178)
Qualifying Disbursements	(132,300)	(148,057)
Set-Aside Reserve Balance at June 30, 2003	(\$318,747)	(\$52,148)
Total Restricted Balances Carry Forward	(\$318,747)	\$0

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside and capital acquisition amounts below zero. Only the extra amount for textbooks may be used to reduce the set-aside requirements in future years.

**NOTE 19 - STATE SCHOOL FUNDING DECISION**

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The School District is currently unable to determine what effect, if any, this decision will have its future State funding and on its financial operations.

**NOTE 20 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.



Fayetteville-Perry Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2003

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**NOTE 20 – CONTINGENCIES** (Continued)

**B. Litigation**

The School District is not party to any legal proceedings.

**NOTE 21 – SUBSEQUENT EVENT**

The School District received a loan from Fifth Third Bank in the amount of \$100,000 in September of 2003. The money is to be used to buy a new copier and printer, as well as parts to a bus, and also other equipment.

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

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2003**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	n/a	10.550	\$ -	\$ 28,276	\$ -	\$ 28,276
National School Lunch Program	LL-P4-03 LL-P4-02	10.555	51,706	-	51,706	-
Total Nutrition Cluster			51,706	28,276	51,706	28,276
<b>Total U.S. Department of Agriculture</b>			<b>51,706</b>	<b>28,276</b>	<b>51,706</b>	<b>28,276</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed through Ohio Department of Education:</i>						
Education Consolidation and Improvement Act Grants to Local Educational Agencies (ESEA Title I)						
	C1-S1-03 C1-S1-02	84.010	89,974	-	77,093	-
<i>Special Education Cluster:</i>						
Special Education Grants to States (Title VI B) Handicapped	6B-SF-03P 6B-SF-02P	84.027	83,479	-	98,220	-
<b>Total Special Education Cluster</b>			<b>173,453</b>	<b>-</b>	<b>175,313</b>	<b>-</b>
Drug-Free Schools Grant	DR-S1-03 DR-S1-01	84.186	6,051	-	6,910	-
Education Systemic Improvement Grants		84.276	-	-	562	-
Eisenhower Prof Development State Grant	MS-S1-02	84.281	-	-	30	-
Innovative Educational Program Strategies	C2-S1-03	84.298	5,372	-	5,372	-
Technology State Formula Grants	TJ-S1-03	84.318	2,588	-	2,588	-
Class Size Reduction Subsidy	CR-S1-02	84.340	2,952	-	2,952	-
School Renovation, IDEA and Technology	AT-S2-02 AT-S3-02	84.352	16,451	-	14,072	-
Improving Teacher Quality State Grants	TR-S1-03	84.367	39,173	-	39,173	-
<b>Total Department of Education</b>			<b>246,040</b>	<b>-</b>	<b>246,972</b>	<b>-</b>
<b>Totals</b>			<b>\$ 297,746</b>	<b>\$ 28,276</b>	<b>\$ 298,678</b>	<b>\$ 28,276</b>

The accompanying notes to this schedule are an integral part of this schedule.

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

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Government's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B— FOOD DISTRIBUTION**

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2003, the District had no significant food commodities in inventory.



## **Auditor of State Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of the Fayetteville-Perry Local School District, Brown County, Ohio (the District), as of and for the year ended June 30, 2003, and have issued our report thereon dated December 18, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the Fayetteville-Perry Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain instances of noncompliance that we have reported to management of the District in a separate letter dated December 18, 2003.

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

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 18, 2003.

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

This report is intended for the information and use of the District's Board of Education, management, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

December 18, 2003



## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

To the Board of Education:

#### **Compliance**

We have audited the compliance of the Fayetteville-Perry Local School District, Brown County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2003. The Fayetteville-Perry Local School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable its major federal programs are the responsibility of the District's management. Our responsibility is to express an opinion on the Fayetteville-Perry Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Fayetteville-Perry Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Fayetteville-Perry Local School District's compliance with those requirements.

In our opinion, the Fayetteville-Perry Local School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

#### **Internal Control Over Compliance**

The management of the Fayetteville-Perry Local School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Fayetteville-Perry Local School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the District's Board of Education, management, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

December 18, 2003



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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2003**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA # 84.027: Title VI-B CFDA #10.550/10.555: Child Nutrition Cluster
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

None

**FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

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**Auditor of State  
Betty Montgomery**

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**FAYETTEVILLE-PERRY LOCAL SCHOOL DISTRICT**

**BROWN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 12, 2004**