



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

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Report of Independent Accountants

Perkins Local School District
Erie County
1210 East Bogart Road
Sandusky, Ohio 44870-6400

To the Board of Education:

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

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Perkins Local School District, Erie County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust funds 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 19, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Jim Petro
Auditor of State

December 19, 2002

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**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
As of June 30, 2002**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
ASSETS AND OTHER DEBITS				
Assets:				
Equity in pooled cash and cash equivalents	\$2,782,930	\$205,164	\$7,790	\$102,164
Equity in pooled cash and cash equivalents - nonexpendable trust fund				
Cash with fiscal agent			1,770	
Receivables (net of allowances of uncollectibles):				
Property taxes - current and delinquent	11,244,613			428,460
Accounts	19,242			
Accrued interest	799			
Due from other governments		9,985		
Materials and supplies inventory	55,308			
Prepayments	45,658			
Property, plant and equipment (net of accumulated depreciation where applicable)				
Other debits:				
Amount available in debt service fund				
Amount to be provided for retirement of general long-term obligations				
Total assets and other debits	\$14,148,550	\$215,149	\$9,560	\$530,624

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$217,476	\$90,334			\$3,405,858
	111,258			111,258
				1,770
				11,673,073
				19,242
				799
28,509				9,985
				83,817
				45,658
69,884		\$15,329,787		15,399,671
			\$7,790	7,790
			1,877,717	1,877,717
\$315,869	\$201,592	\$15,329,787	\$1,885,507	\$32,636,638

(Continued)

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
As of June 30, 2002
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable	\$92,694	\$5,762		\$4,918
Accrued wages and benefits	1,651,460	24,388		
Compensated absences payable	87,562			
Pension obligation payable	249,744	1,048		
Deferred revenue	10,592,339	7,825		403,059
Due to other governments	61,243	1,074		
Due to students				
Matured bonds payable			\$1,770	
Energy conservation notes payable				
Total liabilities	12,735,042	40,097	1,770	407,977
Equity and other credits:				
Investment in general fixed assets				
Contributed capital				
Retained earnings: unreserved				
Fund balances:				
Reserved for encumbrances	280,940	6,931		72,500
Reserved for materials and supplies inventory	55,308			
Reserved for prepayments	45,658			
Reserved for tax revenue unavailable for appropriation	652,274			25,401
Reserved for principal endowment				
Unreserved-undesignated	379,328	168,121	7,790	24,746
Total equity and other credits	1,413,508	175,052	7,790	122,647
Total liabilities, equity and other credits	\$14,148,550	\$215,149	\$9,560	\$530,624

The notes to the general-purpose financial statements are an integral part of this statement.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$2,412				\$105,786
40,480				1,716,328
11,737			\$1,200,246	1,299,545
25,537			125,261	401,590
24,449				11,027,672
1,406	\$14,268			77,991
	39,068			39,068
				1,770
			560,000	560,000
106,021	53,336		1,885,507	15,229,750
		\$15,329,787		15,329,787
59,413				59,413
150,435				150,435
	25			360,396
				55,308
				45,658
				677,675
	108,268			108,268
	39,963			619,948
209,848	148,256	15,329,787		17,406,888
\$315,869	\$201,592	\$15,329,787	\$1,885,507	\$32,636,638

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental and Similar Fiduciary Fund Types
For the Year Ended June 30, 2002**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
Revenues:		
From local sources:		
Taxes	\$11,766,721	
Tuition	56,947	
Earnings on investments	109,412	
Extracurricular		\$152,989
Other local revenues	115,783	17,948
Intergovernmental - State	5,226,762	43,554
Intergovernmental - Federal		391,288
	<hr/>	<hr/>
Total revenue	17,275,625	605,779
Expenditures:		
Current:		
Instruction:		
Regular	7,496,542	77,880
Special	1,796,466	306,316
Vocational	400,566	
Other	12,818	
Support services:		
Pupil	1,392,554	21,729
Instructional staff	1,205,074	29,048
Board of Education	57,901	
Administration	1,261,635	80,489
Fiscal	513,971	
Business	62,357	
Operations and maintenance	1,937,032	2,241
Pupil transportation	641,207	
Central	5,477	13,697
Community services	3,517	11,488
Extracurricular activities	545,208	146,756
Facilities acquisition and construction	95,281	
Debt service:		
Principal retirement		
Interest and fiscal charges		
	<hr/>	<hr/>
Total expenditures	17,427,606	689,644
Excess of revenues over (under) expenditures	<hr/>	<hr/>
	(151,981)	(83,865)
Other financing sources (uses):		
Operating transfers in		71,350
Operating transfers out	(106,000)	
Proceeds from sale of fixed assets	4,239	
	<hr/>	<hr/>
Total other financing sources (uses)	(101,761)	71,350
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	<hr/>	<hr/>
	(253,742)	(12,515)
Fund balances, July 1	1,662,615	187,567
Increase in reserve for inventory	4,635	
Fund balances, June 30	<hr/> <hr/>	<hr/> <hr/>
	\$1,413,508	\$175,052

The notes to the general-purpose financial statements are an integral part of this statement.

<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
	\$442,932		\$12,209,653
			56,947
			109,412
			152,989
		\$86,311	220,042
	52,002		5,322,318
			391,288
	<u>494,934</u>	<u>86,311</u>	<u>18,462,649</u>
			7,574,422
			2,102,782
			400,566
			12,818
	44,474	6,100	1,464,857
			1,234,122
			57,901
			1,342,124
	7,526		521,497
			62,357
	5,636		1,944,909
	4,062		645,269
	12,827	31,776	63,777
		40,715	55,720
	62,211		754,175
	209,879	155,000	460,160
\$140,000			140,000
34,650			34,650
<u>174,650</u>	<u>346,615</u>	<u>233,591</u>	<u>18,872,106</u>
<u>(174,650)</u>	<u>148,319</u>	<u>(147,280)</u>	<u>(409,457)</u>
174,650			246,000
	(140,000)		(246,000)
			4,239
<u>174,650</u>	<u>(140,000)</u>		<u>4,239</u>
	8,319	(147,280)	(405,218)
7,790	114,328	184,278	2,156,578
			4,635
<u>\$7,790</u>	<u>\$122,647</u>	<u>\$36,998</u>	<u>\$1,755,995</u>

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Comparison (Non-GAAP Budgetary Basis)
All Governmental Fund Types
For the Year Ended June 30, 2002**

	General		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
From local sources:			
Taxes	\$11,693,417	\$11,693,417	
Tuition	53,947	53,947	
Earnings on investments Extracurricular	111,074	116,668	\$5,594
Other local revenues	113,663	114,183	520
Intergovernmental - State	5,226,262	5,226,762	500
Intergovernmental - Federal			
Total revenues	<u>17,198,363</u>	<u>17,204,977</u>	<u>6,614</u>
Expenditures:			
Current:			
Instruction:			
Regular	7,828,683	7,543,187	285,496
Special	1,820,006	1,730,633	89,373
Vocational	424,251	401,965	22,286
Other	51,684	12,818	38,866
Support services:			
Pupil	1,754,748	1,471,775	282,973
Instructional staff	1,210,681	1,185,345	25,336
Board of Education	69,931	63,110	6,821
Administration	1,306,351	1,258,202	48,149
Fiscal	539,291	513,157	26,134
Business	71,321	69,458	1,863
Operations and maintenance	2,049,129	2,018,615	30,514
Pupil transportation	817,342	772,636	44,706
Central	6,502	5,477	1,025
Community services	3,314	3,300	14
Extracurricular activities	546,050	541,345	4,705
Facilities acquisition and construction	95,281	95,281	
Debt service:			
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u>18,594,565</u>	<u>17,686,304</u>	<u>908,261</u>
Excess of revenues over (under) expenditures	<u>(1,396,202)</u>	<u>(481,327)</u>	<u>914,875</u>
Other financing sources (uses):			
Operating transfers in			
Operating transfers out	(113,798)	(113,798)	
Proceeds from sale of fixed assets	4,239	4,239	
Refund of prior year receipts			
Refund of prior year expenditure	2,566	2,566	
Total other financing sources (uses)	<u>(106,993)</u>	<u>(106,993)</u>	
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(1,503,195)</u>	<u>(588,320)</u>	<u>914,875</u>
Fund balances, July 1	2,712,365	2,712,365	
Prior year encumbrances appropriated	336,251	336,251	
Fund balances, June 30	<u>\$1,545,421</u>	<u>\$2,460,296</u>	<u>\$914,875</u>

Special Revenue			Debt Service		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$152,989	\$152,989				
17,647	17,647				
40,630	44,080	\$3,450			
387,300	387,299	(1)			
598,566	602,015	3,449			
89,773	80,048	9,725			
307,110	307,110				
23,721	23,356	365			
31,558	27,319	4,239			
95,372	82,732	12,640			
2,257	2,241	16			
17,601	13,696	3,905			
12,241	11,862	379			
194,603	153,588	41,015			
			\$140,000	\$140,000	
			34,650	34,650	
774,236	701,952	72,284	174,650	174,650	
(175,670)	(99,937)	75,733	(174,650)	(174,650)	
71,350	71,350		174,650	174,650	
(280)	(280)				
300	300				
71,370	71,370		174,650	174,650	
(104,300)	(28,567)	75,733			
204,270	204,270		7,790	7,790	
21,866	21,866				
\$121,836	\$197,569	\$75,733	\$7,790	\$7,790	

(Continued)

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Comparison (Non-GAAP Budgetary Basis)
All Governmental Fund Types
For the Year Ended June 30, 2002
(Continued)**

	Capital Projects		
	Budget Revised	Actual	Variance: Favorable (Unfavorable)
Revenues:			
From local sources:			
Taxes	\$439,774	\$439,774	
Tuition			
Earnings on investments			
Extracurricular			
Other local revenues			
Intergovernmental - State	52,002	52,002	
Intergovernmental - Federal			
Total revenues	<u>491,776</u>	<u>491,776</u>	
Expenditures:			
Current:			
Instruction:			
Regular			
Special			
Vocational			
Other			
Support services:			
Pupil	44,474	44,474	
Instructional staff			
Board of Education			
Administration			
Fiscal	8,200	7,526	\$674
Business			
Operations and maintenance	5,636	5,636	
Pupil transportation	4,062	4,062	
Central	12,827	12,827	
Community services			
Extracurricular activities	134,711	134,711	
Facilities acquisition and construction	209,961	209,961	
Debt service:			
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u>419,871</u>	<u>419,197</u>	<u>674</u>
Excess of revenues over (under) expenditures	<u>71,905</u>	<u>72,579</u>	<u>674</u>
Other financing sources (uses):			
Operating transfers in			
Operating transfers out	(140,000)	(140,000)	
Proceeds from sale of fixed assets			
Refund of prior year receipts			
Refund of prior year expenditure			
Total other financing sources (uses)	<u>(140,000)</u>	<u>(140,000)</u>	
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	(68,095)	(67,421)	674
Fund balances, July 1	57,836	57,836	
Prior year encumbrances appropriated	39,249	39,249	
Fund balances, June 30	<u><u>\$28,990</u></u>	<u><u>\$29,664</u></u>	<u><u>\$674</u></u>

The notes to the general-purpose financial statements are an integral part of this statement.

Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$12,133,191	\$12,133,191	
53,947	53,947	
111,074	116,668	\$5,594
152,989	152,989	
131,310	131,830	520
5,318,894	5,322,844	3,950
387,300	387,299	(1)
<u>18,288,705</u>	<u>18,298,768</u>	<u>10,063</u>
7,918,456	7,623,235	295,221
2,127,116	2,037,743	89,373
424,251	401,965	22,286
51,684	12,818	38,866
1,822,943	1,539,605	283,338
1,242,239	1,212,664	29,575
69,931	63,110	6,821
1,401,723	1,340,934	60,789
547,491	520,683	26,808
71,321	69,458	1,863
2,057,022	2,026,492	30,530
821,404	776,698	44,706
36,930	32,000	4,930
15,555	15,162	393
875,364	829,644	45,720
305,242	305,242	
140,000	140,000	
34,650	34,650	
<u>19,963,322</u>	<u>18,982,103</u>	<u>981,219</u>
<u>(1,674,617)</u>	<u>(683,335)</u>	<u>991,282</u>
246,000	246,000	
(253,798)	(253,798)	
4,239	4,239	
(280)	(280)	
2,866	2,866	
<u>(973)</u>	<u>(973)</u>	
(1,675,590)	(684,308)	991,282
2,982,261	2,982,261	
397,366	397,366	
<u>\$1,704,037</u>	<u>\$2,695,319</u>	<u>\$991,282</u>

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**Combined Statement of Revenues, Expenses and
Changes in Retained Earnings/Fund Balance
All Proprietary and Similar Fiduciary Fund Types
For the Year Ended June 30, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating revenues:			
Sales/charges for services	\$560,088		\$560,088
Investment earnings		\$2,764	2,764
Gifts and donations		2,645	2,645
Total operating revenues	<u>560,088</u>	<u>5,409</u>	<u>565,497</u>
Operating expenses:			
Personal services	315,472		315,472
Contract services	9,836		9,836
Materials and supplies	360,238		360,238
Depreciation	7,607		7,607
Other		2,419	2,419
Total operating expenses	<u>693,153</u>	<u>2,419</u>	<u>695,572</u>
Operating income (loss)	<u>(133,065)</u>	<u>2,990</u>	<u>(130,075)</u>
Nonoperating revenues (expenses):			
Operating grants	101,262		101,262
Federal commodities	55,675		55,675
Interest revenue	5,034		5,034
Loss on sale of assets	(368)		(368)
Total nonoperating revenues (expenses)	<u>161,603</u>		<u>161,603</u>
Net income	28,538	2,990	31,528
Retained earnings/fund balance, July 1	<u>121,897</u>	<u>108,268</u>	<u>230,165</u>
Retained earnings/fund balance, June 30	<u><u>\$150,435</u></u>	<u><u>\$111,258</u></u>	<u><u>\$261,693</u></u>

The notes to the general-purpose financial statements are an integral part of this statement.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**Combined Statement of Cash Flows
All Proprietary and Similar Fiduciary Fund Types
For the Year Ended June 30, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Cash flows from operating activities:			
Cash received from sales/service charges	\$560,088		\$560,088
Cash received from other operations		\$2,645	2,645
Cash payments for personal services	(307,709)		(307,709)
Cash payments for contract services	(9,836)		(9,836)
Cash payments for materials and supplies	(304,036)		(304,036)
Cash payments for other expenses		(2,419)	(2,419)
	<u>(61,493)</u>	<u>226</u>	<u>(61,267)</u>
Net cash provided by (used in) operating activities			
Cash flows from noncapital financing activities:			
Cash received from operating grants	101,262		101,262
	<u>101,262</u>		<u>101,262</u>
Net cash provided by noncapital financing activities			
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(28,562)		(28,562)
	<u>(28,562)</u>		<u>(28,562)</u>
Net cash used in capital and related financing activities			
Cash flows from investing activities:			
Interest received	5,034	2,764	7,798
	<u>5,034</u>	<u>2,764</u>	<u>7,798</u>
Net cash provided by investing activities			
Net increase in cash and cash equivalents	16,241	2,990	19,231
Cash and cash equivalents at beginning of year	201,235	108,268	309,503
Cash and cash equivalents at end of year	<u>\$217,476</u>	<u>\$111,258</u>	<u>\$328,734</u>

(Continued)

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**Combined Statement of Cash Flows
All Proprietary and Similar Fiduciary Fund Types
For the Year Ended June 30, 2002
(Continued)**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	(\$133,065)	\$2,990	(\$130,075)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	7,607		7,607
Federal donated commodities	55,675		55,675
Interest reported as operating income		(2,764)	(2,764)
Changes in assets and liabilities:			
Increase in materials and supplies inventory	(8,343)		(8,343)
Increase in accounts payable	306		306
Increase in accrued wages and benefits	2,707		2,707
Increase in compensated absences payable	3,304		3,304
Increase in pension obligation payable	346		346
Increase in due to other governments	1,406		1,406
Increase in deferred revenue	8,564		8,564
Net cash provided by (used in) operating activities	<u>(\$61,493)</u>	<u>\$226</u>	<u>(\$61,267)</u>

The notes to the general-purpose financial statements are an integral part of this statement.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2002**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

Perkins Local School District (the District) operates under a locally-elected five-member Board form of government and provides educational services mandated by state and/or federal agencies. Located in Erie County, the District serves an area of approximately 72 square miles, including portions of the city of Sandusky and surrounding townships.

The District was established in 1854 through the consolidation of existing land areas and Districts and is organized under Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws there is no authority for a District to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The District is the 247th largest in the state of Ohio (among 705 public and community school districts) in terms of enrollment and the 3rd largest in Erie County. It currently operates 2 elementary schools, 1 middle school and 1 comprehensive high school. The District employs 102 non-certificated employees and 157 certificated (including administrative) employees to provide services to approximately 2,229 students and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general-purpose financial statements (GPFS) of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations described due to their relationship to the District.

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**Notes to the General-Purpose Financial Statements
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RELATED ORGANIZATION

Sandusky Public Library

The Library is a distinct political subdivision of the State of Ohio governed by a board of trustees. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. The District in 2000 passed a continuing tax replacement levy of .8 mills on behalf of the Library. The District reports these monies in an agency fund.

JOINTLY GOVERNED ORGANIZATIONS

Bay Area Council of Governments

The Bay Area Council of Governments (BACG) is a jointly governed organization. Members of the BACG consist of 26 school districts representing 7 counties (Ottawa, Sandusky, Seneca, Erie, Huron, Wood, and Crawford). The BACG was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through the council of governments are natural gas and insurance. The only cost to the District is an administrative charge if it participates in purchasing through the BACG. The membership of BACG consists of the superintendent of each participating school district. The Board of Directors of the BACG consists of one elected representative of each county, the superintendent of the fiscal agent and two non-voting members (administrator and fiscal agent). Members of the Board serve staggered two-year terms. Financial information can be obtained by contacting the Erie Co. ESC, which serves as fiscal agent, at 2900 South Columbus Avenue, Sandusky, Ohio 44870. The District paid \$112, 034 to Bay Area Council of Governments during fiscal year 2002.

Northern Ohio Educational Computer Association

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization, which is a computer consortium. NOECA is an association of 41 public school districts formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school district. The NOECA Board of Directors consists of two representatives from each county in which participating school districts are located, the chairman of each of the operating committees, and a representative from the fiscal agent. Financial information can be obtained from Betty Schwiefert, who serves as Controller, 2900 South Columbus Avenue, Sandusky, Ohio 44870. The District paid \$25, 207 to NOECA during fiscal year 2002.

PUBLIC ENTITY RISK POOL

Huron-Erie School Employees Insurance Association

The Huron-Erie School Employees Insurance Association (Association) is a public entity risk pool comprised of 14 districts. The Association assembly consists of a superintendent or designated representative from each participating district and the program administrator. The Association is governed by a board of directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the board. Financial information can be obtained by contacting the program administrator at the Huron-Erie School Employees Insurance Association, located at 2900 Columbus Avenue, Sandusky, Ohio 44870.

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**Notes to the General-Purpose Financial Statements
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(Continued)**

Ohio School Boards Association Workers' Compensation Group Rating Program

The District participates in a group rating plan for workers' compensation as established in Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Program (GRP) was established as an insurance purchasing pool. The GRP is governed by a three-member Board of Directors. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. Refer to Note 10.B for further information on this group rating plan.

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District activities or functions. Funds are classified into three categories: Governmental, Proprietary and Fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

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

General Fund - The general fund is the general operating fund of the 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 District for any purpose, provided it is expended or transferred in accordance with applicable Ohio statute.

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

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

Capital Projects Funds - The capital project 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 FUNDS

Proprietary funds are used to account for the District's on-going activities which are similar to those often found in the private sector, where the determination of net income is necessary or useful to sound financial administration. The following are the District's proprietary fund types:

**PERKINS LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
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(Continued)**

Enterprise Fund - The enterprise fund is used to account for operations that are (a) financed and operated in a manner similar to private business enterprises-where the intent of the governing body 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 (b) where the governing body has 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 FUNDS

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include expendable trust, nonexpendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations, or have a measurement focus. The agency fund is presented on a budget basis, with note disclosure, regarding items, which, in other fund types, would be subject to accrual. See Note 3.B. for agency fund accruals which, in other fund types, would be recognized in the combined balance sheet.

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 general nature, the following account groups are used:

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

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

C. Measurement Focus/Basis of Accounting

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

All proprietary funds and the nonexpendable trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available (See Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

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**Notes to the General-Purpose Financial Statements
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The modified accrual basis of accounting is followed for governmental and expendable trust 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. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 2002, but which are intended to finance fiscal 2003 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2002, are reflected as a reservation of fund balance for future appropriations.

The District is prohibited by law from appropriating this revenue in accordance with ORC § 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long term obligation principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

The proprietary funds and the nonexpendable trust fund are accounted for on the accrual basis of accounting. Under the accrual basis of accounting revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense, with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenues.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements, and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds receive no revenue from property taxes.

D. Budgets

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 appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2002 is as follows:

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**Notes to the General-Purpose Financial Statements
June 30, 2002
(Continued)**

1. Prior to January 15 of the preceding year, 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 expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Erie County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the 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 a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2002.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget -Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2002.
9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus

**PERKINS LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
June 30, 2002
(Continued)**

encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year-end (not recognized as accounts payable) appear as a reserve to the fund balance on a GAAP basis (pages 2 and 3) and as the equivalent of expenditures on a non-GAAP budgetary basis (pages 5 and 6) in order to demonstrate legal compliance. Note 14 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for Enterprise Funds are disclosed in Note 11.

E. Cash and Investments

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

During fiscal 2002, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio).

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2002.

By policy of the Board of Education, all investment earnings are assigned to the general fund unless the Board approves the transfer of investment earnings to another fund. Interest revenue credited to the general fund during fiscal 2002 amounted to \$109,412, which includes \$17,855 assigned from other funds.

The District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account at June 30, 2002 was \$1,770.

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

An analysis of the Treasurer's investment account at year-end is provided in Note 4.

F. Inventory

Inventories for all governmental funds are valued at cost (first in/first out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period-end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which indicates they are unavailable for appropriation even though they are a component of reported assets.

**PERKINS LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
June 30, 2002
(Continued)**

Inventories of proprietary funds are valued at the lower of cost (first in/first out method) or market and expensed when used rather than when purchased.

G. Prepaids

Prepayments for governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefiting from the advance payment. At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

H. Fixed Assets and Depreciation

General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the general fixed assets account group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than one year. The cost of normal maintenance and repairs which do not add to the value of the asset or materially extend the asset's useful life are not capitalized. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed assets account group. Interest incurred during construction is not capitalized on general fixed assets.

Proprietary Funds

Property, plant and equipment reflected in the proprietary funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives.

<u>Asset</u>	<u>Life - Years</u>
Furniture, fixtures and minor equipment	5 - 20

I. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable".

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**Notes to the General-Purpose Financial Statements
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(Continued)**

4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring and non-routine permanent transfers of equity, generally made when a fund is closed.
6. Long-term interfund loans will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of the District's interfund transactions for fiscal year 2002 is presented in Note 5.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, the District has established a policy to include the following employees in their GASB Statement No. 16 accrual:

- All employees aged 50 years with 10 years of service;
- All employees aged 40 years with 15 years of service; and
- All employees aged 55 years with 5 years of service.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

Accumulated vacation and severance of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligations account group. Vacation and sick leave for employees meeting the above requirements who are paid from proprietary funds is recorded as an expense when earned.

The District, in collective bargaining agreements with employee labor unions, has agreed to pay classified employees (eligible to retire) a bonus based upon age and years of service. The amount of the bonus ranges from \$870 to \$5,160. Certified employees eligible to retire are also eligible for a bonus. The bonus is \$15,000 and depends upon age and years of service. Any employee who reaches

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**Notes to the General-Purpose Financial Statements
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(Continued)**

30 years of service must take advantage of the bonus (by retiring) or forfeit eligibility for the bonus. Bonus payments have been included in the calculation for the total compensated absences liability.

K. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at fiscal year-end. In accordance with GASB Statement No. 33, capital contributions are recorded as revenue and a component of retained earnings at fiscal year-end. There were no capital contributions received by the enterprise funds in fiscal 2002. Contributed capital in the enterprise funds at June 30, 2002 was \$59,413.

L. 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, contractually required pension contributions, and special termination benefits 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 generally considered not to have been paid with current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

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

M. Fund Equity

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, prepaid assets, and tax revenue unavailable for appropriation. In addition, although the nonexpendable trust fund uses the total economic resources measurement focus, the fund equity is reserved for the amount of the principal endowment. The reserve for property taxes represents taxes recognized as revenue under GAAP, but not available for appropriation under state statute. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

N. Estimates

The preparation of financial statements in conformity with GAAP 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.

O. Total Memorandum Only

Total columns on the GPFS are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

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**Notes to the General-Purpose Financial Statements
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(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances

Fund balances at June 30, 2002 included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Management Information Systems	\$ 5,641
Title I	19,495
Class Reduction	132

These funds complied with Ohio State law which does not allow a cash-basis deficit at fiscal year-end. These deficits, caused by the application of GAAP, will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The General Fund provides transfers for deficit balances; however, transfers are made when cash is needed rather than when accruals occur.

B. Agency Funds

The following are accruals for the agency funds, which, in another fund type, would be recognized in the combined balance sheet:

<u>ASSETS</u>	
Property tax receivable- current and delinquent	\$219,363
Accounts receivable	200
<u>LIABILITIES</u>	
Accounts payable	484

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

State statutes classify monies held by the 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 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 the Board of Education has identified as not required for use within the current two-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 District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited

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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 moneys deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, Notes, Debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% 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 180 days from the date of purchase in an amount not to exceed 25% of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments 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 District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand: At year-end, the District had \$600 in undeposited cash on hand, which is included on the combined balance sheet as part of "Equity in Pooled Cash and Cash Equivalents".

Cash with Fiscal Agent: At year-end, \$1,770 was on deposit with the District's fiscal agent and included in the total amount of deposits reported below; however, this amount is not part of the internal cash pool reported on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents".

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2002
(Continued)**

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 year-end the carrying amount of the District’s deposits was \$473,078 and the bank balance was \$781,915. Of the bank balance:

1. \$151,993 was covered by federal deposit insurance; and
2. \$629,922 was uninsured and uncollateralized as defined by GASB although it was secured by collateral held by third party trustees, pursuant to Section 135.81, Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

Investments: GASB Statement No. 3 entitled, *“Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements”*, requires the District investments to be categorized to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District’s name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty’s trust department or agent in the 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 District’s name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Fair Value
Not subject to categorization:	
Investment in STAR Ohio	\$3,045,208

The classification of cash and cash equivalents on the combined balance sheet is based on criteria set forth in GASB Statement No. 9 entitled, *“Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting”*.

A reconciliation between the classifications of cash and cash equivalents on the combined balance sheet per GASB Statement No. 9 and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Equivalents/ Deposits	Investments
GASB Statement No. 9	\$3,518,886	
Investments of the cash management pool:		
Investment in STAR Ohio	(3,045,208)	\$3,045,208
Cash on hand	(600)	
GASB Statement No. 3	\$473,078	\$3,045,208

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2002
(Continued)**

NOTE 5 - INTERFUND TRANSACTIONS

The following is a reconciliation of the District's operating transfers for 2002.

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		\$106,000
Special Revenue Funds		
District Managed Activity	\$30,000	
Management Information Systems	41,350	
Debt Service Fund	174,650	
Capital Projects Funds		
Permanent Improvement		140,000
Total	<u>\$246,000</u>	<u>\$246,000</u>

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

Real property taxes and public utility taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by state law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value, except for the personal property of rural electric companies, which is assessed at various rates of true value.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The first \$10,000 of assessed value is exempt from taxation. The District receives a state subsidy in lieu of tax revenue which would otherwise have been collected.

The assessed value upon which the 2002 taxes were collected was \$344,584,253. Agricultural/residential and public utility/minerals real estate represented 56.47% or \$194,588,170 of this total; Commercial & industrial real estate represented 24.72% or \$85,166,900 of this total, public utility tangible represented 4.04% or \$13,936,990 of this total and general tangible property represented 14.77% or \$50,892,193 of this total. The voted general tax rate at the fiscal year ended June 30, 2002 was \$63.65 per \$1,000.00 of assessed valuation for operations and \$2.00 per \$1,000 of assessed valuation for permanent improvement.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20.

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

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2002
(Continued)**

The Erie County Treasurer collects property tax on behalf of the District. The County Auditor periodically remits to the District its portions of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2002 are reflected as a reservation of fund balance for tax advance unavailable for appropriation. The District is prohibited, by law, from appropriating this revenue in accordance with ORC section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2002 totaled \$652,274 in the general fund and \$25,401 in the Permanent Improvement capital projects fund.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2002 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants (to the extent eligibility requirements have been met by year-end). Intergovernmental grants receivable have been presented as "Due From Other Governments" on the combined balance sheet. Taxes and intergovernmental receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of state programs.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$11,244,613
Accounts	19,242
Accrued Interest	799
 <u>Special Revenue Funds</u>	
Due from other governments	9,985
 <u>Capital Projects Fund</u>	
Taxes - current and delinquent	428,460

NOTE 8 - FIXED ASSETS

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

	Balance at 7/01/01	Increases	Decreases	Balance at 6/30/02
Land/improvements	\$652,169			\$652,169
Buildings	9,257,775	\$725,476	(\$12,537)	9,970,714
Furniture/equipment	2,719,177	444,742	(129,792)	3,034,127
Vehicles	1,651,704	31,270	(10,197)	1,672,777
Total	\$14,280,825	\$1,201,488	(\$152,526)	\$15,329,787

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2002
(Continued)**

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

Furniture and equipment	\$147,086
Less: accumulated depreciation	<u>(77,202)</u>
Net fixed assets	<u><u>\$69,884</u></u>

NOTE 9 - LONG-TERM OBLIGATIONS

During a prior fiscal year, the District issued unvoted long-term "energy conservation" notes, under authority of H.B. 264. Energy conservation notes outstanding are general obligations of the District, for which the District's full faith and credit are pledged for repayment. Accordingly, these notes are accounted for in the general long-term obligations account group. Payments of principal and interest relating to these notes are recorded as expenditures in the debt service fund; however, unlike general obligation bonds, Ohio statute allows for the issuance of these notes without voter approval, and the subsequent repayment of the notes from operating revenues.

- A.** The following is a description of the District's energy conservation notes outstanding as of June 30, 2002:

	Interest Rate	Maturity Date	Notes Outstanding 7/01/01	Notes Retired in Fiscal 2002	Notes Outstanding 6/30/02
H.B. 264 energy conservation notes	5.50%	11/22/05	<u>\$700,000</u>	<u>(\$140,000)</u>	<u>\$560,000</u>

- B.** The following is a summary of the District's future annual debt service requirements to maturity for general obligation debt:

Year Ending June 30	Principal	Interest	Total
2003	\$140,000	\$26,950	\$166,950
2004	140,000	19,250	159,250
2005	140,000	11,550	151,550
2006	<u>140,000</u>	<u>3,850</u>	<u>143,850</u>
Total	<u><u>\$560,000</u></u>	<u><u>\$61,600</u></u>	<u><u>\$621,600</u></u>

- C.** During the year ended June 30, 2002, the following changes occurred in liabilities reported in the general long-term obligations account groups. Compensated absences and the pension obligation will be paid from the fund from which the employee is paid.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2002
(Continued)**

	Balance at 7/1/01	Increase	Decrease	Balance at 6/30/02
Compensated absences	\$1,219,999	\$238,251	(\$258,004)	\$1,200,246
Pension obligation payable	113,293	125,261	(113,293)	125,261
H.B. 264 energy conservation bonds	700,000		(140,000)	560,000
Total	<u>\$2,033,292</u>	<u>\$363,512</u>	<u>(\$511,297)</u>	<u>\$1,885,507</u>

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code further provides that unvoted indebtedness for energy conservation measures shall not exceed 9/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2002 are a voted debt margin of \$31,020,373 (including available funds of \$7,790), an unvoted debt margin of \$344,584, and an unvoted energy conservation debt margin of \$2,541,258.

NOTE 10 - RISK MANAGEMENT

A. Comprehensive Insurance

The 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. The District has purchased insurance coverage for these risks from commercial carriers, at a cost it considered to be economically justifiable.

Settled claims have not exceeded this commercial coverage in any of the last three fiscal years. There have been no significant reductions in insurance coverage from fiscal 2001.

B. Workers' Compensation

For fiscal year 2002, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the 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.

C. Huron-Erie School Employees Insurance Association

The District has contracted with the Huron-Erie School Employees Insurance Association (Association) to provide medical/surgical, dental, vision and life insurance benefits for its employees and their covered dependents. The Association is a shared risk pool comprised of 14 school districts that provide public education within Erie and Huron Counties. The Districts pay monthly contributions that are placed in a common fund from which eligible claims and expenses are paid for employees of participating school districts and their covered dependents. Claims are paid for all participants regardless of claims flow.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2002
(Continued)**

In the event of withdrawal, the District shall assume and be responsible for payment of all claims of its eligible employees, families, and dependents from the effective date of withdrawal, regardless of when such claims were incurred, processed, or presented to the Association, insurance provider, insurance consultant, or any other appropriate or authorized person or representative; provided further, any such claims, which are paid after the effective date of withdrawal by the Association insurance provider or insurance consultant, or charged to such parties, shall be reimbursed in full by any withdrawing member upon demand of the Association.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 13. As such, no funding provisions are required by the District.

NOTE 11 - SEGMENT INFORMATION

The District maintains one enterprise fund, which provides lunchroom/cafeteria services; therefore, segment information for the year ended June 30, 2002, is not presented. The enterprise fund had \$818 of encumbrances outstanding at June 30, 2002.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate, which was 14% for 2002; 5.46% was the portion to fund pension obligations. The contribution rates of plan members and employers are established and may be amended by the School Employees Retirement Board, up to maximum amounts allowed by state statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$132,189, \$93,150, and \$129,384, respectively; 47% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. \$69,470, which represents the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2002
(Continued)**

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 9.5% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$802,855, \$732,245, and \$437,718, respectively; 84% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. \$132,365, which represents the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2002, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$380,300 during fiscal 2002.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.256 billion at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001 (the latest information available), net health care costs paid by STRS were \$300.772 million and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 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.

For this fiscal year, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. 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 annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available), were \$161.440 million and the target level was \$242.2 million. At June 30, 2001 (the latest information available), SERS had net assets available for payment of health care benefits of \$315.7 million and SERS had approximately 50,000 participants receiving health

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2002
(Continued)**

care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$232,791 during the 2002 fiscal year.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual Comparison - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for governmental funds are as follows:

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses		
	Governmental Fund Types		
	General Fund	Special Revenue Funds	Capital Projects Fund
Budget basis	(\$588,320)	(\$28,567)	(\$67,421)
Net adjustment for revenue accruals	70,648	3,762	3,158
Net adjustment for expenditure accruals	(63,936)	4,715	82
Net adjustment for other financing sources/(uses)	5,232	(20)	
Adjustment for encumbrances	322,634	7,595	72,500
GAAP basis	(\$253,742)	(\$12,515)	\$8,319

NOTE 15 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement 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

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2002
(Continued)**

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 effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2002.

B. Litigation

The District is involved in no litigation as either plaintiff or defendant.

C. School Funding Decision

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

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

NOTE 16 - STATUTORY RESERVES

The District is required by state law to set aside certain (cash-basis) general fund revenue amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 2002, the reserve activity was as follows:

	Textbooks	Capital Acquisition
Set-aside cash balance as of June 30, 2001	(\$295,676)	
Current year set-aside requirement	257,160	\$257,160
Qualifying disbursements	(815,381)	(951,976)
Total	(\$853,897)	(\$694,816)
Balance carried forward to FY 2003	(\$853,897)	

The District had offsets and qualifying disbursements during the year that reduced the textbooks and capital acquisition set-aside amounts below zero. The extra amount for textbooks is being carried forward to reduce the set-aside requirements of future years. By law, the extra amount disbursed for Capital Acquisition cannot be carried forward.

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**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2002**

FEDERAL GRANTOR Pass Through Grantor Program Title	Federal CFDA Number	Grant Number
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education:</i>		
Nutrition Cluster:		
Food Distribution Program	10.550	-
National School Lunch Program	10.555	-
Total U.S. Department of Agriculture - Nutrition Cluster		
U.S. DEPARTMENT OF EDUCATION		
<i>Passed Through Ohio Department of Education:</i>		
Special Education Cluster:		
Special Education Grants to States (IDEA Part B)	84.027	046813-6B-SF-02P
Special Education - Preschool Grant	84.173	046813-PG-S1-02P
Total Special Education Cluster		
Grants to Local Educational Agencies (ESEA Title I)	84.010	046813-C1-S1-02
Safe and Drug-Free Schools and Communities State Grant	84.186	046813-DR-S1-02
Eisenhower Professional Development State Grant	84.281	046813-MS-S1-02
Innovative Educational Program Strategies	84.298	046813-C2-S1-02
Class Size Reduction	84.340	046813-CR-S1-02 046813-CR-S1-01
Total Class Size Reduction		
Total U.S. Department of Education		
Total Federal Financial Assistance		

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

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
	\$63,953		\$55,675
<u>\$98,185</u>		<u>\$98,185</u>	
<u>98,185</u>	<u>63,953</u>	<u>98,185</u>	<u>55,675</u>
190,422		190,422	
10,525		10,525	
<u>200,947</u>		<u>200,947</u>	
101,167		116,688	
8,723		8,468	
9,681		13,052	
3,334		7,599	
41,680		41,680	
21,768		27,407	
<u>63,448</u>		<u>69,087</u>	
<u>387,300</u>		<u>415,841</u>	
<u>\$485,485</u>	<u>\$63,953</u>	<u>\$514,026</u>	<u>\$55,675</u>

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**Notes to Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2002**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary 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, 2002, the District had \$24,448 in food commodities inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Facsimile 419-245-2484
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**Report of Independent Accountants on Compliance and on Internal Control Required by
Government Auditing Standards**

Perkins Local School District
Erie County
1210 East Bogart Road
Sandusky, Ohio 44870-6400

To the Board of Education:

We have audited the financial statements of Perkins Local School District (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated December 19, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 19, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that did not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 19, 2002.

Perkins Local School District
Erie County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the audit committee, management, the Board of Education, 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, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

December 19, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**Report of Independent Accountants on Compliance with Requirements
Applicable to Major Federal Programs and Internal Control over
Compliance in Accordance with OMB Circular A-133**

Perkins Local School District
Erie County
1210 East Bogart Road
Sandusky, Ohio 44870-6400

To the Board of Education:

Compliance

We have audited the compliance of Perkins Local School District (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, 2002. The 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 to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the 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 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 District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

Internal Control Over Compliance

The management of the 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 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.

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 management, the Board of Education, 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, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

December 19, 2002

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**Schedule of Findings
OMB Circular A -133 § .505
June 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



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PERKINS LOCAL SCHOOL DISTRICT

ERIE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 9, 2003**