



**PERRY LOCAL SCHOOL DISTRICT
LAKE COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2002



**Auditor of State
Betty Montgomery**

**PERRY LOCAL SCHOOL DISTRICT
LAKE COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Board of Education
Perry Local School District
Lake County
4325 Manchester Avenue
Perry, Ohio 44081

We have audited the accompanying general-purpose financial statements of the Perry Local School District, Lake County, Ohio, (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 Perry Local School District, Lake County, Ohio as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types 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 January 24, 2003 on our consideration of the District's internal control over financial reporting and our tests of it 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.

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. In our opinion, it is fairly stated in all material respects, in relation to the general-purpose financial statements taken as a whole.

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

Betty Montgomery
Auditor of State

January 24, 2003

PERRY LOCAL SCHOOL DISTRICT
LAKE COUNTY
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types			Account Group			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Expendable Trust and Agency	General		Long-term Debt			
							Fixed Assets	General				
ASSETS AND OTHER DEBITS:												
Assets:												
Equity in pooled cash and investments	\$ 6,750,105	\$ 1,274,602	\$ 8,560,922	\$ 106,457	\$ 16,011	\$ 328,620	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,036,717
Restricted cash	25,237	-	-	-	-	-	-	-	-	-	-	25,237
Cash with fiscal agent	464,364	-	-	-	-	-	-	-	-	-	-	464,364
Receivables:												
Taxes	15,017,607	-	-	-	-	-	-	-	-	-	-	15,017,607
Accounts	10,569	4,569	-	10,275	-	130	-	-	-	-	-	25,543
Accrued interest	75,569	-	-	-	-	-	-	-	-	-	-	75,569
Intergovernmental	339,317	-	-	-	-	-	-	-	-	-	-	339,317
Materials and supplies inventory	156,517	-	-	13,562	-	-	-	-	-	-	-	170,079
Fixed assets (net, where applicable, accumulated depreciation)	-	-	-	349,899	-	-	127,805,755	-	-	-	-	128,155,654
Other Debits:												
Amount to be provided for retirement of general long-term debt	-	-	-	-	-	-	-	-	2,801,718	-	-	2,801,718
Total assets and other debits	\$ 22,839,285	\$ 1,279,171	\$ 8,560,922	\$ 480,193	\$ 16,011	\$ 328,750	\$ 127,805,755	\$ 2,801,718	\$ -	\$ -	\$ -	\$ 164,111,805

The accompanying notes are an integral part of the financial statements.

PERRY LOCAL SCHOOL DISTRICT
LAKE COUNTY
COMBINED BALANCE SHEET (CONTINUED)
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002

	Governmental Fund Types				Proprietary Fund Types			Fiduciary Fund Types			Account Group		Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Expendable Trust and Agency	General Fixed Assets	General Long-term Debt	Account Group				
									General	Long-term Debt			
LIABILITIES, FUND EQUITY AND OTHER CREDITS:													
Liabilities:													
Accounts payable	\$ 254,403	\$ 27,156	\$ -	\$ 1,627	\$ 3,680	\$ 3,010	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 289,876	
Accrued wages and benefits	2,133,773	15,241	-	54,609	-	29,119	-	119,718	-	-	-	2,352,460	
Due to students	-	-	-	-	-	287,176	-	-	-	-	-	287,176	
Claims payable	221,359	-	-	-	-	-	-	-	-	-	-	221,359	
Compensated absences payable	657,554	-	-	20,930	-	-	-	2,636,424	-	-	-	3,314,908	
Special termination benefits	40,000	-	-	-	-	-	-	-	-	-	-	40,000	
Deferred revenue	15,096,238	-	-	10,311	-	-	-	-	-	-	-	15,106,549	
Other liability	-	-	-	17,128	-	-	-	-	-	-	-	17,128	
Capital lease obligations	-	-	-	-	-	-	-	45,576	-	-	-	45,576	
Total liabilities	18,403,327	42,397	-	104,605	3,680	319,305	-	2,801,718	-	-	-	21,675,032	
Fund Equity and Other Credits:													
Investment in general fixed assets	-	-	-	-	-	-	127,805,755	-	-	-	-	127,805,755	
Retained earnings:													
Unreserved	-	-	-	375,588	12,331	-	-	-	-	-	-	387,919	
Fund balances:													
Reserved for encumbrances	1,993,739	16,198	-	-	-	-	-	-	-	-	-	2,009,937	
Reserved for inventory	156,517	-	-	-	-	-	-	-	-	-	-	156,517	
Reserve for property tax	260,686	-	-	-	-	-	-	-	-	-	-	260,686	
Budget stabilization reserve	25,237	-	-	-	-	-	-	-	-	-	-	25,237	
Unreserved, undesignated	1,999,779	1,220,576	8,560,922	-	-	9,445	-	-	-	-	-	11,790,722	
Total fund equity and other credits	4,435,958	1,236,774	8,560,922	375,588	12,331	9,445	127,805,755	-	-	-	-	142,436,773	
Total liabilities, fund equity and other credits	\$ 22,839,285	\$ 1,279,171	\$ 8,560,922	\$ 480,193	\$ 16,011	\$ 328,750	\$ 127,805,755	\$ 2,801,718	\$ -	\$ -	\$ -	\$ 164,111,805	

The accompanying notes are an integral part of the financial statements.

**PERRY LOCAL SCHOOL DISTRICT
LAKE COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2002**

	Governmental Fund Types				Fiduciary	Totals
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
REVENUES:						
Revenue from local sources:						
Taxes	\$ 17,166,513	\$ -	\$ -	\$ -	\$ -	\$ 17,166,513
Transportation fees	28,977	-	-	-	-	28,977
Earnings on investments	525,042	-	-	203,914	311	729,267
Extracurricular activities	-	255,400	-	-	-	255,400
Classroom materials and fees	-	5,936	-	-	-	5,936
Miscellaneous receipts - local sources	82,230	29,842	-	100,882	1,007	213,961
Revenue from state sources:						
Unrestricted grants-in-aid	6,574,747	-	-	-	-	6,574,747
Restricted grants-in-aid	28,336	46,119	-	-	-	74,455
Revenue from federal sources:						
Restricted grants-in-aid	-	192,180	-	-	-	192,180
Total revenue	<u>24,405,845</u>	<u>529,477</u>	<u>-</u>	<u>304,796</u>	<u>1,318</u>	<u>25,241,436</u>
EXPENDITURES:						
Instruction:						
Regular	11,787,250	54,517	-	-	-	11,841,767
Special	1,006,202	28,968	-	-	-	1,035,170
Other	157,262	-	-	-	-	157,262
Supporting services:						
Pupils	894,457	218,279	-	-	-	1,112,736
Instructional staff	2,890,752	-	-	18,200	-	2,908,952
Board of Education	194,849	-	-	-	-	194,849
Administration	2,449,664	4,344	-	-	-	2,454,008
Fiscal services	634,082	-	-	-	-	634,082
Business	51,242	-	-	-	-	51,242
Operation and maintenance - plant	4,298,574	-	-	-	-	4,298,574
Pupil transportation	1,967,017	-	-	-	-	1,967,017
Central	132,078	-	-	-	-	132,078
Operation of non-instructional services:						
Community services	38,278	11,788	-	-	1,000	51,066
Extracurricular activities:						
Academic and subject oriented activities	127,592	19,534	-	-	-	147,126
Occupation oriented	1,254	-	-	-	-	1,254
Sports oriented	751,475	230,609	-	-	-	982,084
Co-curricular	79,375	119,571	-	-	-	198,946
Facilities acquisition and construction:						
Building acquisition and construction	275,949	-	-	-	-	275,949
Total expenditures	<u>27,737,352</u>	<u>687,610</u>	<u>-</u>	<u>18,200</u>	<u>1,000</u>	<u>28,444,162</u>
Excess over (under) expenditures	<u>(3,331,507)</u>	<u>(158,133)</u>	<u>-</u>	<u>286,596</u>	<u>318</u>	<u>(3,202,726)</u>
OTHER FINANCING SOURCES (USES):						
Other financing sources:						
Sale of assets	88,984	-	-	50,000	-	138,984
Transfers in	1,398	116,700	-	-	-	118,098
Refund of prior year expenditures	413,611	-	-	-	-	413,611
Refund of prior year receipts	-	(2,489)	-	-	-	(2,489)
Other financing uses:						
Transfers-out	(411,000)	-	(1,398)	-	-	(412,398)
Total other financing sources (uses)	<u>92,993</u>	<u>114,211</u>	<u>(1,398)</u>	<u>50,000</u>	<u>-</u>	<u>255,806</u>
Revenues, receipts and other sources over (under) expenditures, disbursements and other uses	(3,238,514)	(43,922)	(1,398)	336,596	318	(2,946,920)
BEGINNING FUND BALANCE	7,686,740	1,280,696	1,398	8,224,326	9,127	17,202,287
DECREASE IN RESERVE FOR INVENTORY	(12,268)	-	-	-	-	(12,268)
ENDING FUND BALANCE	<u>\$ 4,435,958</u>	<u>\$ 1,236,774</u>	<u>\$ -</u>	<u>\$ 8,560,922</u>	<u>\$ 9,445</u>	<u>\$ 14,243,099</u>

The accompanying notes are an integral part of the financial statements.

**PERRY LOCAL SCHOOL DISTRICT
LAKE COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2002**

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ 16,955,974	\$ 16,955,974	\$ -
Tuition	44,489	44,489	-
Transportation fees	24,431	24,431	-
Earnings on investments	560,254	560,668	414
Extracurricular activities	-	-	-
Classroom materials and fees	-	-	-
Miscellaneous	39,868	39,868	-
Unrestricted grants-in-aid	6,584,497	6,574,747	(9,750)
Restricted grants-in-aid	27,661	27,661	-
Restricted grants-in-aid	675	675	-
Total revenues	<u>24,237,849</u>	<u>24,228,513</u>	<u>(9,336)</u>
EXPENDITURES			
Instruction:			
Regular	11,891,661	11,898,390	(6,729)
Special	1,213,111	1,213,111	-
Vocational	115,802	115,802	-
Other	48,398	49,218	(820)
Support services:			
Pupil	890,015	889,388	627
Instructional staff	2,916,199	2,914,910	1,289
Board of Education	205,519	207,850	(2,331)
Administration	2,378,558	2,367,015	11,543
Fiscal services	642,066	639,719	2,347
Business	56,930	55,826	1,104
Operation and maintenance of plant	4,864,101	4,837,654	26,447
Pupil transportation	2,070,672	2,070,746	(74)
Central	144,148	144,210	(62)
Non-instructional services:			
Community services	44,327	44,327	-
Extracurricular activities			
Academic and subject oriented	127,592	127,592	-
Occupation oriented activities	1,254	1,254	-
Sports oriented	626,611	626,611	-
Co-curricular activities	79,375	79,375	-
Capital outlay			
Site improvement	330,987	240,573	90,414
Architecture and engineering	38,645	38,645	-
Building acquisition and construction	1,006,993	1,006,993	-
Repayment of debt	-	-	-
Total expenditures	<u>29,692,964</u>	<u>29,569,209</u>	<u>123,755</u>
Excess of revenue over (under) expenditures	<u>(5,455,115)</u>	<u>(5,340,696)</u>	<u>114,419</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,398	1,398	-
Transfers out	(411,000)	(411,000)	-
Refund of prior year expenditures	405,069	413,349	8,280
Refund of prior year receipts	-	-	-
Sale and loss of assets	87,684	87,684	-
Total other financing (uses)	<u>83,151</u>	<u>91,431</u>	<u>8,280</u>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(5,371,964)</u>	<u>(5,249,265)</u>	<u>122,699</u>
FUND BALANCES - BEGINNING OF YEAR	6,404,106	6,404,106	-
PRIOR YEAR ENCUMBRANCES - APPROPRIATED	<u>3,322,990</u>	<u>3,322,990</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 4,355,132</u>	<u>\$ 4,477,831</u>	<u>\$ 122,699</u>

The accompanying notes are an integral part of the financial statements

Special Revenue Fund			Debt Service Fund			Capital Projects Fund		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
255,400	255,400	-	-	-	-	203,914	203,914	-
5,936	5,936	-	-	-	-	-	-	-
28,365	28,365	-	-	-	-	98,086	100,882	2,796
-	-	-	-	-	-	-	-	-
46,119	46,119	-	-	-	-	-	-	-
185,137	189,538	4,401	-	-	-	-	-	-
520,957	525,358	4,401	-	-	-	302,000	304,796	2,796
76,780	58,556	18,224	-	-	-	-	-	-
39,228	30,460	8,768	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
137,777	121,553	16,224	-	-	-	-	-	-
157,727	149,986	7,741	-	-	-	22,500	18,200	4,300
-	-	-	-	-	-	-	-	-
9,142	5,144	3,998	-	-	-	-	-	-
10,000	10,000	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
11,938	11,937	1	-	-	-	-	-	-
19,487	19,487	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
235,304	235,307	(3)	-	-	-	-	-	-
136,051	134,812	1,239	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
833,434	777,242	56,192	-	-	-	22,500	18,200	4,300
(312,477)	(251,884)	60,593	-	-	-	279,500	286,596	7,096
116,700	116,700	-	-	-	-	-	-	-
-	-	-	(1,398)	(1,398)	-	-	-	-
50	50	-	-	-	-	-	-	-
(2,489)	(2,489)	-	-	-	-	-	-	-
-	-	-	-	-	-	50,000	50,000	-
114,261	114,261	-	(1,398)	(1,398)	-	50,000	50,000	-
(198,216)	(137,623)	60,593	(1,398)	(1,398)	-	329,500	336,596	7,096
1,192,497	1,192,497	-	1,398	1,398	-	8,224,326	8,224,326	-
176,698	176,698	-	-	-	-	-	-	-
\$ 1,170,979	\$ 1,231,572	\$ 60,593	\$ -	\$ -	\$ -	\$ 8,553,826	\$ 8,560,922	\$ 7,096

**PERRY LOCAL SCHOOL DISTRICT
LAKE COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2002**

	Expendable Trust Fund			Totals (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ 16,955,974	\$ 16,955,974	\$ -
Tuition	-	-	-	44,489	44,489	-
Transportation fees	-	-	-	24,431	24,431	-
Earnings on investments	300	311	11	764,468	764,893	425
Extracurricular activities	-	-	-	255,400	255,400	-
Classroom materials and fees	-	-	-	5,936	5,936	-
Miscellaneous	1,000	1,007	7	167,319	170,122	2,803
Unrestricted grants-in-aid	-	-	-	6,584,497	6,574,747	(9,750)
Restricted grants-in-aid	-	-	-	73,780	73,780	-
Restricted grants-in-aid	-	-	-	185,812	190,213	4,401
Total revenues	<u>1,300</u>	<u>1,318</u>	<u>18</u>	<u>25,062,106</u>	<u>25,059,985</u>	<u>(2,121)</u>
EXPENDITURES						
Instruction:						
Regular	-	-	-	11,968,441	11,956,946	11,495
Special	-	-	-	1,252,339	1,243,571	8,768
Vocational	-	-	-	115,802	115,802	-
Other	-	-	-	48,398	49,218	(820)
Support services:						
Pupil	-	-	-	1,027,792	1,010,941	16,851
Instructional staff	-	-	-	3,096,426	3,083,096	13,330
Board of Education	-	-	-	205,519	207,850	(2,331)
Administration	-	-	-	2,387,700	2,372,159	15,541
Fiscal services	-	-	-	652,066	649,719	2,347
Business	-	-	-	56,930	55,826	1,104
Operation and maintenance of plant	-	-	-	4,864,101	4,837,654	26,447
Pupil transportation	-	-	-	2,070,672	2,070,746	(74)
Central	-	-	-	144,148	144,210	(62)
Non-instructional services:						
Community services	1,000	1,000	-	57,265	57,264	1
Extracurricular activities						
Academic and subject oriented	-	-	-	147,079	147,079	-
Occupation oriented activities	-	-	-	1,254	1,254	-
Sports oriented	-	-	-	861,915	861,918	(3)
Co-curricular activities	-	-	-	215,426	214,187	1,239
Capital outlay						
Site improvement	-	-	-	330,987	240,573	90,414
Architecture and engineering	-	-	-	38,645	38,645	-
Building acquisition and construction	-	-	-	1,006,993	1,006,993	-
Repayment of debt	-	-	-	-	-	-
Total expenditures	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>30,549,898</u>	<u>30,365,651</u>	<u>184,247</u>
Excess of revenue over (under) expenditures	<u>300</u>	<u>318</u>	<u>18</u>	<u>(5,487,792)</u>	<u>(5,305,666)</u>	<u>182,126</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	118,098	118,098	-
Transfers out	-	-	-	(412,398)	(412,398)	-
Refund of prior year expenditures	-	-	-	405,119	413,399	8,280
Refund of prior year receipts	-	-	-	(2,489)	(2,489)	-
Sale and loss of assets	-	-	-	137,684	137,684	-
Total other financing (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>246,014</u>	<u>254,294</u>	<u>8,280</u>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>300</u>	<u>318</u>	<u>18</u>	<u>(5,241,778)</u>	<u>(5,051,372)</u>	<u>190,406</u>
FUND BALANCES - BEGINNING OF YEAR	<u>9,127</u>	<u>9,127</u>	<u>-</u>	<u>15,831,454</u>	<u>15,831,454</u>	<u>-</u>
PRIOR YEAR ENCUMBRANCES - APPROPRIATED	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,499,688</u>	<u>3,499,688</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 9,427</u>	<u>\$ 9,445</u>	<u>\$ 18</u>	<u>\$ 14,089,364</u>	<u>\$ 14,279,770</u>	<u>\$ 190,406</u>

The accompanying notes are an integral part of the financial statements

**PERRY LOCAL SCHOOL DISTRICT
LAKE COUNTY
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2002**

	Enterprise Funds	Internal Service Funds	Totals (Memorandum Only)
OPERATING REVENUES:			
Food services	\$ 604,568	\$ -	\$ 604,568
Extracurricular activities	1,821	28,750	30,571
Miscellaneous revenue	167,690	5,511	173,201
Total operating revenues	<u>774,079</u>	<u>34,261</u>	<u>808,340</u>
OPERATING EXPENSES:			
Personal services - salaries	365,182	-	365,182
Employees' retirement and insurance	217,590	-	217,590
Purchased services	98,460	38,881	137,341
Supplies and materials	365,190	1,854	367,044
Depreciation	25,168	-	25,168
Other objects	72,496	9,340	81,836
Total operating expenses	<u>1,144,086</u>	<u>50,075</u>	<u>1,194,161</u>
Operating loss	<u>(370,007)</u>	<u>(15,814)</u>	<u>(385,821)</u>
NON-OPERATING REVENUES AND EXPENSES:			
Federal sources:			
Unrestricted grants-in-aid	92,544	-	92,544
Commodities	33,035	-	33,035
Total non-operating revenues	<u>125,579</u>	<u>-</u>	<u>125,579</u>
Net loss before interfund transfers	(244,428)	(15,814)	(260,242)
TRANSFERS IN	<u>247,600</u>	<u>11,000</u>	<u>258,600</u>
Net income (loss)	3,172	(4,814)	(1,642)
BEGINNING RETAINED EARNINGS	<u>372,416</u>	<u>17,145</u>	<u>389,561</u>
ENDING RETAINED EARNINGS	<u>\$ 375,588</u>	<u>\$ 12,331</u>	<u>\$ 387,919</u>

The accompanying notes are an integral part of the financial statements.

**PERRY LOCAL SCHOOL DISTRICT
LAKE COUNTY
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2002**

	Enterprise Funds			Internal Service Funds			Totals (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES	\$ 591,923	\$ 604,568	\$ 12,645	\$ -	\$ -	\$ -	\$ 591,923	\$ 604,568	\$ 12,645
Food service	1,821	1,821	-	28,750	28,750	-	30,571	30,571	-
Extracurricular activities	690	690	-	-	-	-	690	690	-
Classroom materials and fees	83,644	86,346	2,702	5,511	5,511	-	89,155	91,857	2,702
Miscellaneous	678,078	693,425	15,347	34,261	34,261	-	712,339	727,686	15,347
Total operating revenues	401,737	401,711	26	-	-	-	401,737	401,711	26
OPERATING EXPENSES	219,129	219,129	-	-	-	-	219,129	219,129	-
Salaries and wages	146,942	116,125	30,817	40,550	40,213	337	187,492	156,338	31,154
Fringe benefits	405,398	361,711	43,687	1,854	1,854	-	407,252	363,565	43,687
Contractual services	7,016	7,016	-	-	-	-	7,016	7,016	-
Supplies and materials	16,086	16,086	-	6,340	6,340	-	22,426	22,426	-
Capital outlay	1,196,308	1,121,778	74,530	48,744	48,407	337	1,245,052	1,170,185	74,867
Other operating expenses	(518,230)	(428,353)	89,877	(14,483)	(14,146)	337	(532,713)	(442,499)	90,214
Total operating expenses	80,000	80,000	-	-	-	-	80,000	80,000	-
Operating gain (loss)	2,323	2,323	-	-	-	-	2,323	2,323	-
NON-OPERATING REVENUE	80,006	80,006	-	-	-	-	80,006	80,006	-
Earnings on investments	247,600	247,600	-	11,000	11,000	-	258,600	258,600	-
Miscellaneous	409,929	409,929	-	11,000	11,000	-	420,929	420,929	-
Unrestricted grants-in-aid - intermediate sources	(108,301)	(18,424)	89,877	(3,483)	(3,146)	337	(111,784)	(21,570)	90,214
Unrestricted grants in aid - state sources	124,887	124,887	-	19,155	19,155	-	144,042	144,042	-
Unrestricted grants in aid - federal sources	44,218	44,218	-	680	680	-	44,898	44,898	-
Transfers in	\$ 60,804	\$ 150,681	\$ 89,877	\$ 16,352	\$ 16,689	\$ 337	\$ 77,156	\$ 167,370	\$ 90,214
Total non-operating revenues	Excess of revenues over (under) expenses, advances and operating transfers								
	(108,301)	(18,424)	89,877	(3,483)	(3,146)	337	(111,784)	(21,570)	90,214
FUND EQUITY - BEGINNING OF YEAR	124,887	124,887	-	19,155	19,155	-	144,042	144,042	-
PRIOR YEAR ENCUMBRANCES-APPROPRIATED	44,218	44,218	-	680	680	-	44,898	44,898	-
FUND EQUITY - END OF YEAR	\$ 60,804	\$ 150,681	\$ 89,877	\$ 16,352	\$ 16,689	\$ 337	\$ 77,156	\$ 167,370	\$ 90,214

The accompanying notes are an integral part of the financial statements.

**PERRY LOCAL SCHOOL DISTRICT
LAKE COUNTY
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2002**

	Enterprise Funds	Internal Service Funds	Totals (Memorandum Only)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating loss	<u>\$ (370,007)</u>	<u>\$ (15,814)</u>	<u>\$ (385,821)</u>
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:			
Donated consumables	33,035	-	33,035
Net (increase) decrease in assets:			
Accounts receivable	(10,215)	-	(10,215)
Inventory	(2,730)	-	(2,730)
Net increase (decrease) in liabilities:			
Accounts payable	(7,842)	1,668	(6,174)
Accrued wages and benefits	(2,784)	-	(2,784)
Compensated absences	(31,389)	-	(31,389)
Deferred revenue	3,680	-	3,680
Other liability	29,682	-	29,682
Total adjustments	<u>11,437</u>	<u>1,668</u>	<u>13,105</u>
Net cash used in operating activities	<u>(358,570)</u>	<u>(14,146)</u>	<u>(372,716)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Operating grants received	92,544	-	92,544
Transfer from other funds	247,600	11,000	258,600
Net cash flows provided by non-capital financing activities	<u>340,144</u>	<u>11,000</u>	<u>351,144</u>
Net increase (decrease) in cash and cash equivalents	(18,426)	(3,146)	(21,572)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>124,883</u>	<u>19,157</u>	<u>144,040</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 106,457</u>	<u>\$ 16,011</u>	<u>\$ 122,468</u>

The accompanying notes are an integral part of the financial statements.

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**PERRY LOCAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

1. DESCRIPTION OF THE DISTRICT

The Perry Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under a five member elected Board of Education and is responsible for the provision of public education to residents of the District.

The District is located in Lake County.

Average daily membership (ADM) as of June 1, 2002 was 1,920. The District employed 154 certificated employees and 126 noncertificated employees. It currently operates one elementary school, one middle school and one high school.

2. DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FINANCIAL REPORTING ENTITY

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", consists of a primary government and its component units. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. The District has no component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state and local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds and account groups of those organizational entities for which its elected governing body is financially accountable. The District's major operations include education, pupil transportation, food service and maintenance of District facilities.

The District participates in five jointly governed organizations and a claims servicing pool that are further described in the notes to the financial statements.

B. BASIS OF PRESENTATION

The accounting policies of the District conform to generally accepted accounting principles (GAAP) as applicable to governments.

**PERRY LOCAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(CONTINUED)**

2. DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. BASIS OF PRESENTATION (CONTINUED)

The financial transactions of the District are recorded in individual funds and account groups. The various funds and account groups are reported by type in the general purpose financial statements. Amounts in the "totals - memorandum only" columns in the general purpose financial statements represent a summation of the combined financial statement line items of the fund types and account groups and are presented only for analytical purposes. The summation includes fund types and account groups that use different basis of accounting, interfund transactions that have not been eliminated, and the caption "amounts to be provided", which does not represent an asset. Consequently, amounts shown in the "totals - memorandum only" columns are not comparable to a consolidation and do not represent the total resources available or total revenues and expenditures/expenses of the District.

The District uses the following fund categories, fund types and account groups:

Governmental Fund Types

Governmental Fund Types are accounted for on a flow of current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources (revenues and other financing sources) and uses (expenditures and other financing uses) of "available spendable resources" during a period.

General Fund - The general fund of the District is used to account for all revenues and expenditures except those required to be accounted for in another fund.

Special Revenue Funds – The special revenue funds are used to account for revenue from specific sources (other than expendable trust or major capital projects) which require separate accounting because of legal restrictions requiring that expenditures be for specified purposes.

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

Capital Projects Fund - The capital projects fund is used to account for revenues and expenditures related to the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund Types

Proprietary Fund Types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund measurement focus is upon determination of net income, financial position and cash flows.

**PERRY LOCAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2002
(CONTINUED)**

2. DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. BASIS OF PRESENTATION (CONTINUED)

Enterprise Funds – The enterprise funds are used to account for operations where the intention is to finance such operations primarily through user charges or to where the District has decided that the periodic determination of revenues, expenses and net income is appropriate.

Internal Service Fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governments on a cost-reimbursement basis.

Fiduciary Fund Types

Expendable Trust – The expendable trust is used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations or other governmental units on a cost-reimbursement basis.

Agency Fund - The student activities fund accounts for the resources that belong to the student bodies of the various schools, accounting for sales and other revenue-generating activities.

Account Groups

Account groups are used to establish accounting control and accountability for the District's general fixed assets and general long-term debt.

General Fixed Assets - General fixed assets are used to account for capital assets used in general government operations with a useful life of greater than one year (other than those accounted for in Proprietary Funds).

General Long-Term Debt - General long-term debt is used to account for all long-term obligations of the District, except for those accounted for in Proprietary Funds. These obligations are secured by the credit of the District as a whole and are payable from general government resources or assessments against property owners.

C. BASIS OF ACCOUNTING

Governmental and Fiduciary Fund Types are accounted for on the modified accrual basis of accounting. Governmental revenues are recognized when they become measurable and available to finance expenditures of the current period. Revenue items, which are susceptible to accrual and therefore are recorded as receivables, include property taxes and reimbursable-type grants. Expenditures are recognized when the related fund liability is incurred, with the exception of accumulated unpaid employee compensation, which is not payable from current expendable financial resources.

Proprietary Fund Types are accounted for on the accrual basis of accounting. Their revenues are recognized in the period earned and expenses are recognized in the period incurred. There were no unbilled service charges receivable at year end.

**PERRY LOCAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2002
(CONTINUED)**

2. DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIS OF ACCOUNTING (CONTINUED)

With respect to the proprietary activities, the District has adopted GASB No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Units that Use Proprietary Fund Accounting*. The District has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board pronouncements and Accounting Principles Board Opinions issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements.

D. BUDGETARY BASIS OF ACCOUNTING

The District is required by State statute to adopt an annual appropriated budget for all fund types except agency funds. The specific timetable is as follows:

1. Prior to January 15 of the preceding fiscal year, the Superintendent and Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Lake County Budget Commission (the "Commission") for tax rate determination.
3. Prior to March 15, the Board of Education accepts by formal resolution, the tax rates as determined by the 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 of estimated resources 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.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund 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 Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is to be employed as a management control device during the year for all funds consistent with statutory provision.

**PERRY LOCAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2002
(CONTINUED)**

2. DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. BUDGETARY BASIS OF ACCOUNTING (CONTINUED)

7. Appropriation amounts are amended by the Board of Education throughout the year by supplemental appropriations, which either reallocate or increase the original appropriated amounts. The Board legally enacts all supplemental appropriations.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

The District's budget (budget basis) accounts for certain transactions on a basis, which differs from generally accepted accounting principles (GAAP basis). The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash for budget purposes as opposed to when susceptible to accrual for GAAP purposes.
2. Expenditures are recorded when paid in cash or encumbered for budget purposes as opposed to when the liability is susceptible to accrual for GAAP purposes.

An analysis of the difference in fund balance for all governmental and proprietary fund types at June 30, 2002 as determined under the GAAP basis and budget basis follows:

	General Fund	Special Revenue Fund	Capital Projects Fund	Expendable Trust Fund	Enterprise Fund	Internal Service Fund
GAAP basis - fund balance	\$ 4,435,958	\$ 1,236,774	\$ 8,560,922	\$ 9,445	\$ 375,588	\$ 12,331
Adjustments for GAAP basis:						
Accrued revenue/prepaid expenses at June 30, 2002	(16,102,290)	(4,569)	--	--	(373,736)	--
Accrued expenditures/deferred revenues at June 30, 2002	18,403,328	42,403	--	--	104,611	3,678
Encumbrances outstanding at June 30, 2002 (budget basis)	<u>(2,259,165)</u>	<u>(43,036)</u>	<u>--</u>	<u>--</u>	<u>44,218</u>	<u>680</u>
Budget basis - fund balance	<u>\$ 4,477,831</u>	<u>\$ 1,231,572</u>	<u>\$ 8,560,922</u>	<u>\$ 9,445</u>	<u>\$ 150,681</u>	<u>\$ 16,689</u>

E. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control. Encumbrances are reported as a reservation of fund balance in all Governmental Fund Types and in the notes for the Proprietary Fund Type.

F. 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 District records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the combined balance sheet.

**PERRY LOCAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2002
(CONTINUED)**

2. DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. CASH AND INVESTMENTS (CONTINUED)

During fiscal year 2002, investments were limited to STAR Ohio and federal securities. All investments of the District had a maturity of thirty months or less. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

The District has invested funds in the State Treasury Assets Reserve (STAR Ohio) during fiscal year 2002. 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 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.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2002 amounted to \$ 525,042.

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 an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are considered to be investments.

G. INVENTORY

Inventories are valued at cost, which approximates market, using the first-in, first-out method (FIFO) and are determined by physical count. Inventory in Governmental Fund Types consists of expendable supplies held for consumption. The cost of inventory items is recognized as an expenditure when used (consumption method). Reported inventories in the general fund are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation.

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 or a useful life of less than one year. No depreciation is recognized for assets in the General Fixed Assets Account Group.

Proprietary Funds - Equipment reflected in the Proprietary Funds is stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Contributed equipment is recorded at its fair market value as of the date donated. Depreciation has been provided on a straight-line basis for equipment over a 10-year useful life.

**PERRY LOCAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2002
(CONTINUED)**

2. DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. REVENUE RECOGNITION

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

J. DEFERRED REVENUE

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

Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

K. EXPENSES/EXPENDITURES

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

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

**PERRY LOCAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2002
(CONTINUED)**

2. DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. INTERFUND TRANSACTIONS

During the course of normal operations, the District has numerous transactions between funds, including expenditures and transfers of resources to provide services and improve assets. Operating subsidies are recorded as operating transfers. The classification of amounts recorded as subsidies, advances or equity contributions is based on the intent of the District at the time of the transaction.

M. RESTRICTED CASH

Restricted cash in the general fund represents cash and cash equivalents set aside for statutory reserves. These reserves are required by State statute and can be used only for qualifying expenditures of textbooks, instructional materials, capital acquisitions and maintenance or after receiving approval from the State unless certain conditions are met. An equal fund balance reserve has also been established.

N. FUND BALANCE RESERVES

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 materials and supplies inventory, debt service, legislative "set-asides", tax revenue unavailable for appropriation and encumbrances. The unreserved portions of fund equity reflected for the Governmental Fund Types are available for use within the specific purposes of those funds. The reserve for tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriations under state statute.

O. DEFICIT FUND BALANCE

Fund balances at June 30, 2002 included no fund deficits.

3. 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 that the District's 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 or deposit accounts including passbook accounts.

**PERRY LOCAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2002
(CONTINUED)**

3. EQUITY IN POOLED CASH AND INVESTMENTS (CONTINUED)

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 with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution. 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 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 30 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) of this section 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); and
7. Certain bankers' acceptance and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time.

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 until maturity.

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

At June 30, 2002, the District's general fund had a balance of \$ 464,364 with Lake County Council of Governments Health Care Benefits Program, a claims servicing pool (See Note). The money is held by the claims service in a pooled account which is representative of numerous entities and, therefore, cannot be classified by risk under GASB No. 3. The classification of cash and cash equivalents and investments for the Lake County Council of Governments Health Care Benefits Program Self Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Mentor Exempted Village School District. To obtain financial information, write to Mr. James Metz, Treasurer, Mentor Exempted Village School District, 6451 Center Street, Mentor, Ohio 44060.

**PERRY LOCAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2002
(CONTINUED)**

3. EQUITY IN POOLED CASH AND INVESTMENTS (CONTINUED)

GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase), and Reverse Repurchase Agreements", requires disclosures to help assess actual and potential future deposit and investment market and credit risks. The following information regarding deposits and investments is presented using the categories of risk identified in GASB Statement No. 3.

- (a) Deposits - At year end, the carrying amount of the District's deposits was \$ (158,674) and the bank balance was \$ 380,867. The bank balance is categorized as follows:

Amount insured by the FDIC	\$ 100,000
Collateralized with securities held by the pledging financial institution's trust department but not in the name of Perry Local Schools	\$ 280,867

- (b) Investments - Investments made by the District as of June 30, 2002 recorded at market value are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

- Category 1 - Insured or registered, or investments held by the District or its agents in the District's name.
- Category 2 - Uninsured and unregistered, with investments held by the counterparty's trust department or agent in the District's name.
- Category 3 - Uninsured and unregistered, with investments held by the counterparty, or by its trust department or agent, but not in the District's name.

	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Federal Home Loan Mortgage Corporation (Category 2)	\$ 4,577,436	\$ 4,604,100	\$ 26,664
Federal National Mortgage Association Notes (Category 2)	2,083,400	2,069,730	(13,670)
Federal Home Loan Bank Notes (Category 2)	3,053,054	3,078,408	25,354
Corporate Cash (Category 3)	132,697	132,697	--
Investment in STAR Ohio	<u>7,335,693</u>	<u>7,335,693</u>	<u>--</u>
Total	<u>\$ 17,182,280</u>	<u>\$ 17,220,628</u>	<u>\$ 38,348</u>

STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

**PERRY LOCAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2002
(CONTINUED)**

4. INTERFUND TRANSACTIONS

A summary of interfund transfers made during 2002 by fund is as follows:

	Transferred From	Transferred To
General fund	\$ 411,000	\$ 1,398
Bond retirement fund	1,398	--
Special revenue funds	--	116,700
Enterprise funds	--	247,600
Internal service funds	--	11,000
Agency fund	--	35,700
	<u>\$ 412,398</u>	<u>\$ 412,398</u>

5. PROPERTY TAXES

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 property 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, at true value (normally 25% of cost). 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 assessed value upon which the 2002 taxes were collected was \$ 472,241,968. Agricultural/residential and other real estate represented 56% (\$ 262,444,310) of this total; public utility tangible property 32% (\$ 151,204,940) and general tangible property 12% (\$ 58,592,718). The general tax rate for operations for the fiscal year ended June 30, 2002 was \$ 44.20 per \$ 1,000.

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. Under certain circumstances, State statute permits earlier or later payment dates to be established.

The Lake County Treasurer remits portions of the taxes collected to all taxing Districts with periodic settlements of real and public utility property taxes in February and August and tangible personal property taxes in June and October. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

Uncollectible taxes outstanding, available to the District within 60 days after fiscal year end are recorded as receivables at June 30 and revenues for the current fiscal year. Uncollected taxes outstanding, not available to the District within 60 days after the fiscal year end, are recorded as a receivable and deferred revenue.

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, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 is recognized as revenue. The amount available to the District as an advance at June 30, 2002 was \$ 260,686 for the General Fund.

**PERRY LOCAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2002
(CONTINUED)**

6. LAKE COUNTY SCHOOL FINANCING DISTRICT

The Board of Education of the Lake County Educational Service Center has, by a resolution adopted February 6, 1990, pursuant to Section 3311.50 of the Revised Code, created a county school financing district known as the Lake County School Financing District (the "Financing District") for the purpose of levying taxes for the provision of the following specified educational programs and services by the school districts that are part of the District: the provision of necessary personnel, materials, supplies and transportation for instruction in language arts, social studies, mathematics, fine and practical arts, health and physical education, science and business education.

The Board of Education of the Lake County Educational Service Center acts as the taxing authority of the Financing District pursuant to Section 3311.50 of the Revised Code. The Financing District receives settlements of taxes levied and distributes within ten days to each of the Member Districts (including Perry Local School District) each of such Member District's proportionate share of that tax settlement. Each Member District's proportionate share is a fraction, the numerator being Member District's total pupil population and the denominator being the aggregate pupil population of all Member Districts as of that date. Taxes collected by the Financing District available to the District at June 30 are recorded as receivables and revenue for the current fiscal year. Uncollected taxes outstanding received by the Financing District within 60 days after the fiscal year are recorded as a receivable and deferred revenue for they are measurable but not available to the District. The receivable is included in the account "Receivables-Intergovernmental".

7. FIXED ASSETS

A summary of changes in the General Fixed Assets Account Group is as follows:

	Balance <u>July 1, 2001</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2002</u>
Land	\$ 12,467,759	\$ 26,000	\$ --	\$ 12,493,759
Building and improvements	98,002,571	227,310	--	98,229,881
Furniture and equipment	14,539,616	910,091	861,547	14,588,160
Vehicles	2,180,271	185,683	168,119	2,197,835
Equipment under capital lease	<u>296,120</u>	<u>--</u>	<u>--</u>	<u>296,120</u>
Total	<u>\$ 127,486,337</u>	<u>\$ 1,349,084</u>	<u>\$ 1,029,666</u>	<u>\$ 127,805,755</u>

A summary of Enterprise Fund fixed assets at June 30, 2002 follows:

	Balance <u>July 1, 2001</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2002</u>
Equipment	\$ 812,026	\$ 6,498	\$ --	\$ 818,524
Accumulated depreciation	<u>(443,457)</u>	<u>(25,168)</u>	<u>--</u>	<u>(468,625)</u>
Net fixed assets	<u>\$ 368,569</u>	<u>\$ (18,670)</u>	<u>\$ --</u>	<u>\$ 349,899</u>

8. CAPITALIZED LEASES - EQUIPMENT

The District has entered into several capitalized leases for the acquisition of copiers. The terms of each agreement provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Lease payments will be made from the General fund.

**PERRY LOCAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
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(CONTINUED)**

8. CAPITALIZED LEASES - EQUIPMENT (CONTINUED)

The following is a schedule of future minimum lease payments required under the capital leases as of June 30, 2002:

<u>Year Ending June 30,</u>	<u>Amount</u>
2003	\$ 19,995
2004	19,995
2005	10,493
2006	<u> --</u>
Total payments	50,483
Less: amount representing interest	<u>(4,907)</u>
Present value of minimum lease payments	<u>\$ 45,576</u>

	<u>Balance at July 1, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2002</u>
Lease obligations	<u>\$ 70,358</u>	<u>\$ --</u>	<u>\$ 24,782</u>	<u>\$ 45,576</u>

9. COMPENSATED ABSENCES

The criteria for determining vesting vacation and sick leave components is derived from negotiating agreements and State laws. In summary, the components of vesting are as follows:

<u>Vacation</u>	<u>Certificated</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How earned	Not eligible	Per Contract	10-30 days depending on length of service after 1 year of service
Maximum Accumulation	Not applicable	60 days	Per ORC
Vested	Not applicable	As earned	As earned
Termination Entitlement	Not applicable	Paid upon termination	Paid upon termination
<u>Sick Leave</u>			
How earned	1-1/4 days per month of employment (15 days per year)	1-1/4 days per month of employment (15 days per year)	1-1/4 days per month of employment (15 days per year)
Maximum Accumulation	390 days	390 days	324 days
Vested	As earned	As earned	As earned
Termination Entitlement	1/2 of accumulated sick leave up to 270 days Special 15-year provision Special 20-year provision	Per contract	1/2 of accumulated sick leave up to 270 days Special 15-year provision Special 20-year provision

**PERRY LOCAL SCHOOL DISTRICT
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2002
(CONTINUED)**

9. COMPENSATED ABSENCES (CONTINUED)

According to GASB Statement No. 16, accumulated vacation and sick leave of Government Fund type employees meeting the eligibility requirements have been recorded in the appropriate Governmental Funds as a current liability to the extent that the amounts are expected to be payable within the current period. The balance of the liability is recorded in the General Long-Term Debt Account Group. Vacation and sick leave for employees paid from the Proprietary Fund is recorded as an expense when earned or accrued. The District calculates sick leave using the vesting method based on accumulated benefits.

10. CHANGES IN GENERAL LONG-TERM DEBT ACCOUNT GROUP

During the year ended June 30, 2002, the following changes occurred in liabilities reported in the General Long-Term Debt Account Group. Accrued sick and vacation leave will be paid from the fund from which the employee is paid.

	Balance July 1, 2001	Increase (Decrease)	Balance June 30, 2002
Accrued sick leave	\$ 2,316,781	\$ 20,705	\$ 2,337,486
Accrued retirement	161,866	(42,148)	119,718
Accrued vacation leave	233,798	65,140	298,938
Capital leases	<u>70,358</u>	<u>(24,782)</u>	<u>45,576</u>
Total	<u>\$ 2,782,803</u>	<u>\$ 18,915</u>	<u>\$ 2,801,718</u>

11. SEGMENT INFORMATION ON ENTERPRISE FUNDS

The District maintains seven enterprise funds to account for food service operations, middle school bookstore, industrial arts, high school bookstore, Community Fitness Center, wood and Perritech funds. The more significant financial information for these funds is as follows:

	Food Service	Middle School Bookstore	Industrial Arts	High School Bookstore	Community Fitness Fund	Wood Fund	Perritech Fund	Totals
Operating revenues	\$ 604,568	\$ 1,821	\$ 655	\$ --	\$ 84,256	\$ 690	\$ 82,089	\$ 774,079
Operating expenses before depreciation	\$ 954,883	\$ 1,992	\$ 1,847	\$ 500	\$ 99,459	\$ --	\$ 60,237	\$ 1,118,918
Operating income (loss)	\$ (375,483)	\$ (171)	\$ (1,192)	\$ (500)	\$ (15,203)	\$ 690	\$ 21,852	\$ (370,007)
Unrestricted grants	\$ 125,579	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 125,579
Transfers	\$ 247,600	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 247,600
Net income (loss)	\$ (2,304)	\$ (171)	\$ (1,192)	\$ (500)	\$ (15,203)	\$ 690	\$ 21,852	\$ 3,172
Net working capital	\$ (40,618)	\$ 3,464	\$ 5,954	\$ 9	\$ 4,911	\$ 783	\$ 40,911	\$ 15,414
Total assets	\$ 398,317	\$ 3,464	\$ 5,954	\$ 9	\$ 30,755	\$ 783	\$ 40,911	\$ 480,193
Total liabilities	\$ 87,477	\$ --	\$ --	\$ --	\$ 17,128	\$ --	\$ --	\$ 104,605
Total equity	\$ 310,840	\$ 3,464	\$ 5,954	\$ 9	\$ 13,627	\$ 783	\$ 40,911	\$ 375,588

**PERRY LOCAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2002
(CONTINUED)**

12. DEFINED BENEFIT PENSION PLANS

School Employees Retirement System - The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For the fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2001, 4.20 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001 and 2000 were \$ 249,147, \$ 178,449 and \$ 208,253, respectively, equal to the required contributions for each year.

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, OH 43215-3771 or by calling (614) 227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001 and 2000 were \$ 994,102, \$ 633,088 and \$ 603,807, respectively; equal to the required contributions for each year.

13. POSTEMPLOYMENT BENEFITS

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

**PERRY LOCAL SCHOOL DISTRICT
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
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(CONTINUED)**

13. POSTEMPLOYMENT BENEFITS (CONTINUED)

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$ 470,890 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$ 3.256 million. For the year ended June 30, 2001, net health care costs paid by STRS were \$ 369,354,000 and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. 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.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent for the fiscal year 2001. 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, prorated for partial service credit. For fiscal year 2002, the minimum pay was established at \$ 12,400. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$ 405,293.

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% of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2001 (the latest information available) were \$ 161,439,934 and the target level was \$ 242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$ 315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

14. CONTINGENT LIABILITIES

Grants - The District receives 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 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.

15. STATE SCHOOL FUNDING DECISION

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

**PERRY LOCAL SCHOOL DISTRICT
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
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(CONTINUED)**

15. STATE SCHOOL FUNDING DECISION (CONTINUED)

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

16. JOINTLY GOVERNED ORGANIZATIONS

The Lake-Geauga Computer Association (LGCA) is a jointly governed organization among two county consortium of Ohio school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports LGCA based on a per pupil charge. LGCA is governed by an Assembly consisting of two representatives from each participating school district. The degree of control exercised by any participating school district is limited to its representation on the Assembly. Continued existence of the LGCA Computer Center is not dependent on the District's continued participation. Financial information can be obtained from LGCA, 8140 Auburn Road, Painesville, OH 44077.

The East Shore Center is a jointly governed organization that was formed for the purpose of providing special education for the handicapped children in the sixteen (16) member school districts. The governing board consists of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation of the governing board. East Shore Center is not accumulating significant financial resources or experiencing fiscal distress, which would cause additional financial benefit or burden on the District. Financial information can be obtained by writing the fiscal agent, Mentor Exempted Village School District, 6451 Center Street, Mentor, OH 44060.

The East Shore Regional Transportation System (ESRTA) is a jointly governed organization that was formed for the purpose of providing a transportation system for the handicapped children in the sixteen (16) member school districts. The transportation committee governing board consists of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation of the governing board. ESRTA is not accumulating significant financial resources or experiencing fiscal distress, which would cause additional financial benefit or burden on the District. Financial information can be obtained by writing the fiscal agent, Kirtland Board of Education, 9152 Chillicothe Road, Kirtland, OH 44094.

The Auburn Career Center is a joint vocational school district, which is a jointly governed organization among eleven school districts. Each participating school district appoints one member to the Auburn Career Center's Board of Education. The students of each participating school district may attend classes offered at the vocational facility. Each participant's control over the operation of the Auburn Career Center is limited to representation on the Board. Continued existence of the Auburn Career Center is not dependent on the District's continued participation. Financial information can be obtained by writing the Auburn Career Center, 8140 Auburn Road, Painesville, OH 44077.

**PERRY LOCAL SCHOOL DISTRICT
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
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(CONTINUED)**

16. JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)

The Ohio Schools Council Association (Council) is a jointly governed organization among eighty-two school districts. The jointly governed organization was formed to bring quality products and services at the lowest possible cost to the member districts. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2002, the District paid \$ 500 to the Council for membership. Financial information can be obtained by contacting Albert G. Vasek, the Executive Secretary of the Ohio Schools Council at Rockside Square, Building 2, 6133 Rockside Road, Independence, OH 44131.

The District participates in the Council's electric purchase program, which was implemented during fiscal year 1998. This program allows school districts to purchase electricity at reduced rates, if the school districts will commit to participating for an eight-year period. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage for the year and any necessary adjustments are made.

Energy Acquisition Corporation, a non-profit corporation with a self-appointing board, issued \$ 119,140,000 in debt to prepurchase eight years of electricity from Cleveland Electric Illuminating (CEI) for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates their agreement, they are required to repay the savings to CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corporation.

The District also participates in the Council's prepaid natural gas program, which was implemented during fiscal year 1999. This program allows school districts to purchase natural gas at reduced rates, if the school districts will commit to participating for a twelve year period. The participants make monthly payments based on estimated usage. Each month these estimated payments are compared to their actual usage and any necessary adjustments are made.

The City of Hamilton, a municipal corporation and political subdivision duly organized and existing under the laws of the State of Ohio, issued \$ 89,450,000 in debt to purchase twelve years of natural gas from CMS Energy Corporation for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is entitled to recover that amount, if any, of its contributions to the operating fund, which are not encumbered for its share of program administrative costs.

17. CLAIMS SERVICING POOL

Lake County Council of Governments Health Care Benefits Program (HCBP) Self Insurance Program – the District participates in Lake County Council of Governments Health Care Benefits Program (HCBP) Self Insurance Program, a claims servicing pool, comprised of eleven members. Each member pays an administrative fee to the pool. The Plan's business and affairs are conducted by a five-member Board of Directors elected from the HCBP's assembly. All participating members retain their risk and the Plan acts as the claims servicing agent.

**PERRY LOCAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
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(CONTINUED)**

18. RISK MANAGEMENT

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. During fiscal year 2002, the District contracted with Indiana Insurance for property, general liability, boiler and machinery insurance. There is a \$ 1,000 deductible.

District liability is protected by Ohio School Plan with a \$ 2,000,000 single occurrence and \$ 5,000,000 in aggregate limit with a \$ 1,000 deductible. Vehicles are also covered by Republic Franklin Insurance and have a \$ 250 deductible for comprehensive collision. Automobile liability has a \$ 1,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past three years.

The District has elected to provide medical coverage through a self insured program. The District uses the general fund to account for and finance its uninsured risks of loss in this program. The claims are serviced through the Lake County Schools Council of Governments Health Care Benefits Program. The claims liability of \$ 221,359 reported in the general fund at June 30, 2002 is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the fund's claims liability amount was:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2002	\$ 222,014	\$ 1,439,963	\$ 1,440,618	\$ 221,359
2001	\$ 146,028	\$ 1,331,403	\$ 1,255,417	\$ 222,014

19. OSBA GROUP RATING PROGRAM

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. 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.

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. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**PERRY LOCAL SCHOOL DISTRICT
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(CONTINUED)**

20. STATUTORY RESERVES

The District is required, by state law, to set aside certain 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:

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve	Total
Balance, July 1, 2001	\$ (3,165,549)	\$ --	\$ 25,237	\$ (3,140,312)
Required set-aside	239,766	239,766	--	479,532
Qualifying expenditures	<u>(1,630,982)</u>	<u>(1,738,199)</u>	<u>--</u>	<u>(3,369,181)</u>
Balance, June 30, 2002	<u>\$ (4,556,765)</u>	<u>\$ (1,498,433)</u>	<u>\$ 25,237</u>	<u>\$ (6,029,961)</u>
Restricted assets, June 30, 2002	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 25,237</u>	<u>\$ 25,237</u>

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended ORC Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. The non-BWC (Bureau of Workers' Compensation) portion of monies previously reported in the budget stabilization reserve and as board designation are now reported as unreserved and undesignated fund balance in the General Fund. On July 31, 2001, the Board passed a resolution authorizing the transfer of the non-BWC portion of the budget stabilization reserve and board designation to the General Fund unreserved/undesignated fund balance. The District is still required by State law to maintain the textbook reserve and the capital acquisition reserve.

Although the District had qualifying expenditures during the year that reduced the set-aside amounts to below zero, only the excess expenditures for the textbook reserve can be carried forward to the next fiscal year.

21. ACCOUNTABILITY

The Rotary Fund had expenditures plus encumbrances of \$49,085 that was in excess of appropriations of \$48,742 at June 30, 2002, which is contrary to Section 5705.41, Ohio Revised Code:

**PERRY LOCAL SCHOOL DISTRICT
LAKE COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	Pass-Through Entity Number	Federal CFDA Number	Receipts	Non-cash Receipts	Disburse- ments	Non-cash Disburse- ments
U.S. DEPARTMENT OF AGRICULTURE:						
Passed Through State Department of Education:						
Child Nutrition Cluster						
Food Distribution Program	N/A	10.550	\$0	\$38,048	\$0	\$34,368
School Lunch Program	LL-P4-01	10.555	12,337	0	12,337	0
	LL-P4-02	10.555	67,669	0	67,669	0
			<u>80,006</u>	<u>0</u>	<u>80,006</u>	<u>0</u>
Total U.S. Department of Agriculture - Child Nutrition Cluster			<u>80,006</u>	<u>38,048</u>	<u>80,006</u>	<u>34,368</u>
U.S. DEPARTMENT OF EDUCATION:						
Passed-Through State Department of Education:						
Special Education Cluster	6B-SF-01P	84.027	7,173	0	12,029	0
Special Education - Title VIB	6B-SF-02P	84.027	99,289	0	74,683	0
Total Title VIB			<u>106,462</u>	<u>0</u>	<u>86,712</u>	<u>0</u>
Special Education - Preschool	PG-S1-02P	84.173	10,820	0	0	0
	PG-S1-02P	84.173	0	0	10,464	0
Total Preschool Grant			<u>10,820</u>	<u>0</u>	<u>10,464</u>	<u>0</u>
Special Education Cluster Total			<u>117,282</u>	<u>0</u>	<u>97,176</u>	<u>0</u>
Grants to Local Educational Agencies						
Title I FY 00	C1-S1-01	84.010	1,753	0	2,164	0
Title I FY 01	C1-S1-02	84.010	28,296	0	28,296	0
Total Title I			<u>30,049</u>	<u>0</u>	<u>30,460</u>	<u>0</u>
Goals 2000	G2-A2-01	84.276	0	0	138,376	0
Total Goals 2000			<u>0</u>	<u>0</u>	<u>138,376</u>	<u>0</u>
Drug-Free Schools	DR-S1-01	84.186	0	0	4,336	0
	DR-S1-02	84.186	4,646	0	1,696	0
Total Drug-Free Schools			<u>4,646</u>	<u>0</u>	<u>6,032</u>	<u>0</u>
Title IV - Innovative Education Program Strategies	C2-S1-01	84.298	7,960	0	7,787	0
	C2-S1-02	84.298	2,859	0	282	0
Total Title IV			<u>10,819</u>	<u>0</u>	<u>8,069</u>	<u>0</u>
Eisenhower Professional Development	MS-S1-99	84.281	0	0	2,389	0
	MS-S1-00	84.281	0	0	1,100	0
	MS-S1-01	84.281	0	0	1,078	0
	MS-S1-02	84.281	5,819	0	0	0
Total Eisenhower Professional Development			<u>5,819</u>	<u>0</u>	<u>4,567</u>	<u>0</u>
Class Size Reduction	CR-S1-00	84.340	18,474	0	18,474	0
	CR-S1-01	84.340	2,450	0	2,528	0
Total Class Size Reduction			<u>20,924</u>	<u>0</u>	<u>21,002</u>	<u>0</u>
Total U.S. Department of Education			<u>189,539</u>	<u>0</u>	<u>305,682</u>	<u>0</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:						
Passed Through East Shore SERRC:						
Medicaid (CAFS)	N/A	93.778	675	0	675	0
Total U.S. Department of Health and Human Services			<u>675</u>	<u>0</u>	<u>675</u>	<u>0</u>
Total Expenditures of Federal Awards			<u>\$270,220</u>	<u>\$38,048</u>	<u>\$386,363</u>	<u>\$34,368</u>

See accompanying notes to Schedule of Federal Awards Expenditures.

**PERRY LOCAL SCHOOL DISTRICT
LAKE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) is a summary of the activity of the District's federal awards 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 no significant food commodities in inventory.

CFDA – Catalog of Federal Domestic Assistance

N/A – Not applicable



Auditor of State Betty Montgomery

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

Board of Education
Perry Local School District
Lake County
4325 Manchester Avenue
Perry, Ohio 44081

We have audited the financial statements of the Perry Local School District, Lake County, Ohio (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated January 24, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the 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 January 24, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted another matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to the District's management in a separate letter dated January 24, 2003.

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

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

Betty Montgomery
Auditor of State

January 24, 2003



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT OF COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education
Perry Local School District
Lake County
4325 Manchester Avenue
Perry, Ohio 44081

Compliance

We have audited the compliance of Perry Local School District, Lake County, Ohio (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. The District's major federal program is 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 its major federal program is the responsibility of 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 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, 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 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.

Perry Local School District
Lake County
Independent Accountants' Report on Compliance With Requirements Applicable
to Its Major Federal Program and Internal Control Over Compliance
In Accordance With OMB Circular A-133
Page 2

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

This report is intended for the information and use of the Audit Committee, management, 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.



Betty Montgomery
Auditor of State

January 24, 2003

PERRY LOCAL SCHOOL DISTRICT
LAKE COUNTY
JUNE 30, 2002

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505

1. SUMMARY OF AUDITOR'S RESULTS

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



**Auditor of State
Betty Montgomery**

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PERRY LOCAL SCHOOL DISTRICT

LAKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 18, 2003**