



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Perry Local School District
Allen County
2770 East Breese Road
Lima, Ohio 45806

To the Members of the Board of Education:

We have audited the accompanying general-purpose financial statements of the Perry Local School District, Allen County, (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, Allen County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2002, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

November 13, 2002

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**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Equity in Pooled Cash and Cash Equivalents	\$1,232,025	\$87,734	\$276,395	\$123,502
Cash and Cash Equivalents with Fiscal Agents				
Investments:				
Investments				1,097,890
Receivables:				
Accounts	991	43		
Intergovernmental		70		
Accrued Interest	5,631			
Interfund Receivable	6,000			
Property & Other Local Taxes	2,497,583		342,222	112,490
Inventory Held for Resale				
Materials and Supplies Inventory	4,314	611		
Prepaid Items	66,743			
Restricted Assets :				
Equity in Pooled Cash and Cash Equivalents	18,265			73,551
Advances to Other Funds	14,000			
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
Land				
Land Improvements				
Buildings and Building Improvements				
Furniture, Fixtures, and Equipment				
Vehicles				
Construction in Progress				
Accumulated Depreciation:				
Furniture, Fixtures, and Equipment				
Other Debits:				
Amount Available for Retirement of General Obligation Debt				
Amount to be Provided from General Governmental Resources				
Total Assets and Other Debits	<u>3,845,552</u>	<u>88,458</u>	<u>618,617</u>	<u>1,407,433</u>
Liabilities:				
Accounts Payable	132,116	3,880		
Contracts Payable				514,606
Accrued Wages and Benefits	451,770	25,440		
Compensated Absences Payable				
Retainage Payable				73,551
Interfund Payable				
Intergovernmental Payable	85,404	3,458		
Special Assessment Payable				
Deferred Revenue	2,331,343		342,222	112,490
Undistributed Monies				
Due to Students				
Advances from Other Funds				
General Obligation Bonds Payable				
Total Liabilities	<u>3,000,633</u>	<u>32,778</u>	<u>342,222</u>	<u>700,647</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings Unreserved				
Fund Balances				
Reserved for Encumbrances	51,074	5,176		636,312
Reserve for Advances	14,000			
Reserved for Property Tax	166,240			
Reserved for Budget Stabilization	18,265			
Unreserved	595,340	50,504	276,395	70,474
Total Fund Equity and Other Credits	<u>844,919</u>	<u>55,680</u>	<u>276,395</u>	<u>706,786</u>
Total Liabilities, Fund Equity and Other Credits	<u><u>\$3,845,552</u></u>	<u><u>\$88,458</u></u>	<u><u>\$618,617</u></u>	<u><u>\$1,407,433</u></u>

See Accompanying Notes to the General Purpose Financial Statements

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long Term Debt	
Enterprise	Expendable Trust			
\$5,920	\$156,548 37,507			\$1,882,124 37,507
				1,097,890
24,351				25,385
11,860				11,930
				5,631
				6,000
				2,952,295
16,768				16,768
1,826				6,751
2,224				68,967
				91,816
				14,000
		\$431,737		431,737
		463,089		463,089
		1,324,573		1,324,573
75,740		773,126		848,866
		446,861		446,861
		4,042,264		4,042,264
(33,366)				(33,366)
			\$276,395	276,395
			4,773,383	4,773,383
105,323	194,055	7,481,650	5,049,778	18,790,866
2,316	611			138,923
				514,606
16,372				493,582
6,572			289,724	296,296
				73,551
6,000				6,000
6,993			36,448	132,303
			114,275	114,275
				2,786,055
	37,507			37,507
	31,007			31,007
14,000				14,000
			4,609,331	4,609,331
52,253	69,125		5,049,778	9,247,436
		7,481,650		7,481,650
600				600
52,470				52,470
	62,256			754,818
				14,000
				166,240
				18,265
	62,674			1,055,387
53,070	124,930	7,481,650		9,543,430
\$105,323	\$194,055	\$7,481,650	\$5,049,778	\$18,790,866

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General Fund	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Taxes	\$2,406,099		\$323,621	\$106,325		\$2,836,045
Intergovernmental	2,327,513	\$392,502	29,400	57,490		2,806,906
Interest	56,858	1,123	7,384	105,440	\$3,241	174,046
Tuition and Fees	66,698					66,698
Rent	2					2
Extracurricular Activities	1,095	127,410				128,505
Gifts and Donations		27,303		20,500	398	48,201
Miscellaneous	11,252	27		1		11,280
Total Revenues	4,869,517	548,365	360,405	289,756	3,639	6,071,682
Expenditures:						
Instruction:						
Regular	2,329,443	141,717		70,415		2,541,575
Special	445,676	230,483				676,159
Vocational	58,578					58,578
Other	177,229					177,229
Support Services:						
Pupils	114,571	12,950				127,521
Instructional Staff	252,182	14,710			3,943	270,835
Board of Education	17,439					17,439
Administration	517,243	69,594				586,837
Fiscal	169,780	569	6,607	10,365		187,321
Operation and Maintenance of Plant	553,460					553,460
Pupil Transportation	373,542					373,542
Central	14,301	3,583				17,884
Non-Instructional Services	77					77
Extracurricular activities	198,230	88,225				286,455
Capital Outlay	20,248			3,944,775		3,965,023
Debt Service:						
Principal Retirement				2,952		2,952
Interest and Fiscal Charges			259,828	6,965		266,793
Total Expenditures	5,241,999	561,831	266,435	4,035,472	3,943	10,109,680
Excess of Revenues Over (Under) Expenditure	(372,482)	(13,466)	93,970	(3,745,716)	(304)	(4,037,998)
Fund Balance at Beginning of Year	1,217,401	69,146	182,425	4,452,502	125,234	6,046,708
Fund Balance at End of Year	\$844,919	\$55,680	\$276,395	\$706,786	\$124,930	\$2,008,710

See Accompanying Notes to the General Purpose Financial Statements

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**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	General Fund			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	\$2,381,683	\$2,366,269	(\$15,414)			
Intergovernmental	2,329,748	2,328,208	(1,540)	\$390,827	\$392,432	\$1,605
Payment in Lieu of Taxes	4,000	3,816	(184)			
Interest	60,000	56,839	(3,161)	1,216	1,123	(93)
Tuition and Fees	67,000	66,698	(302)			
Rent	2	2				
Extracurricular Activities				127,874	127,420	(454)
Gifts and Donations				27,506	27,303	(203)
Miscellaneous	6,000	5,914	(86)	80	(20)	(100)
Total Revenues	<u>4,848,433</u>	<u>4,827,746</u>	<u>(20,687)</u>	<u>547,503</u>	<u>548,258</u>	<u>755</u>
Expenditures:						
Current						
Instruction:						
Regular	2,370,582	2,307,727	62,855	143,870	143,630	240
Special	435,260	432,918	2,342	231,821	224,907	6,914
Vocational	58,640	56,864	1,776			
Other	177,300	177,229	71			
Support Services:						
Pupils	116,633	113,015	3,618	13,000	13,000	
Instructional Staff	251,495	249,080	2,415	14,752	14,682	70
Board of Education	27,561	26,089	1,472			
Administration	513,609	508,591	5,018	71,845	71,828	17
Fiscal	169,327	167,913	1,414	570	570	
Operation and Maintenance of Plant	588,709	581,104	7,605			
Pupil Transportation	378,301	371,104	7,197			
Central	14,200	14,155	45	3,888	3,583	305
Non-Instructional Services						
Extracurricular activities	203,960	198,030	5,930	94,766	92,623	2,143
Capital Outlay	21,677	21,298	379			
Debt Service:						
Principal Retirement						
Interest and Fiscal Charges						
Total Expenditures	<u>5,327,254</u>	<u>5,225,117</u>	<u>102,137</u>	<u>574,512</u>	<u>564,823</u>	<u>9,689</u>
Excess of Revenues Over (Under) Expenditures	<u>(478,821)</u>	<u>(397,371)</u>	<u>81,450</u>	<u>(27,009)</u>	<u>(16,565)</u>	<u>10,444</u>
Other Financing Sources (Uses):						
Refund of Prior Year Expenditures		17,792	17,792	20	19	(1)
Advances In		46,000	46,000		41,000	41,000
Advances Out		(47,000)	(47,000)		(46,000)	(46,000)
Total Other Financing Sources (Uses)		<u>16,792</u>	<u>16,792</u>	<u>20</u>	<u>(4,981)</u>	<u>(5,001)</u>
Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	<u>(478,821)</u>	<u>(380,579)</u>	<u>98,242</u>	<u>(26,989)</u>	<u>(21,546)</u>	<u>5,443</u>
Fund Balances at Beginning of Year	1,397,107	1,397,107		82,337	82,337	
Prior Year Encumbrances Appropriated	116,443	116,443		19,414	19,414	
Fund Balance at End of Year	<u>\$1,034,729</u>	<u>\$1,132,971</u>	<u>\$98,242</u>	<u>\$74,762</u>	<u>\$80,205</u>	<u>\$5,443</u>

See Accompanying Notes to the General Purpose Financial Statements

Debt Service			Capital Projects			Expendable Trust		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$326,399	\$323,621	(\$2,778)	\$110,236	\$106,325	(\$3,911)			
29,531	29,527	(4)	57,614	57,524	(90)			
7,400	7,384	(16)	119,600	117,488	(2,112)	\$3,350	\$3,241	(\$109)
			20,500	20,500		400	398	(2)
			1	1				
<u>363,330</u>	<u>360,532</u>	<u>(2,798)</u>	<u>307,951</u>	<u>301,838</u>	<u>(6,113)</u>	<u>3,750</u>	<u>3,639</u>	<u>(111)</u>
			86,549	83,829	2,720			
						66,900	66,199	701
7,000	6,607	393	10,400	10,365	35			
			4,496,084	4,494,664	1,420			
			2,952	2,952				
260,000	259,828	172	6,965	6,965				
<u>267,000</u>	<u>266,435</u>	<u>565</u>	<u>4,602,950</u>	<u>4,598,775</u>	<u>4,175</u>	<u>66,900</u>	<u>66,199</u>	<u>701</u>
96,330	94,097	(2,233)	(4,294,999)	(4,296,937)	(1,938)	(63,150)	(62,560)	590
96,330	94,097	(2,233)	(4,294,999)	(4,296,937)	(1,938)	(63,150)	(62,560)	590
182,298	182,298		4,306,067	4,306,067		125,234	125,234	
			113,853	113,853				
<u>\$278,628</u>	<u>\$276,395</u>	<u>(\$2,233)</u>	<u>\$124,921</u>	<u>\$122,983</u>	<u>(\$1,938)</u>	<u>\$62,084</u>	<u>\$62,674</u>	<u>\$590</u>

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND EQUITY PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Enterprise</u>
Operating Revenues:	
Sales	\$165,168
Total Operating Revenues	<u>165,168</u>
Operating Expenses:	
Salaries	116,530
Fringe Benefits	61,973
Purchased Services	4,054
Materials and Supplies	783
Cost of Sales	151,838
Depreciation	3,170
Total Operating Expenses	<u>338,348</u>
Operating Loss	<u>(173,180)</u>
Non-Operating Revenues:	
Federal Donated Commodities	39,640
Interest	773
Federal and State Subsidies	109,690
Loss on Sale of Fixed Assets	(440)
Total Non-Operating Revenues	<u>149,663</u>
Net Loss	(23,517)
Retained Earnings at Beginning of Year	<u>75,987</u>
Retained Earnings at End of Year	52,470
Contributed Capital at Beginning and End of Year	<u>600</u>
Total Fund Equity at End of Year	<u><u>\$53,070</u></u>

See Accompanying Notes to the General Purpose Financial Statements

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Enterprise Fund		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Sales	\$164,631	\$164,013	(\$618)
Interest	900	773	(127)
Operating Grants	113,400	97,830	(15,570)
Total Revenues	<u>278,931</u>	<u>262,616</u>	<u>(16,315)</u>
Expenses:			
Salaries	123,600	122,769	831
Fringe Benefits	68,150	65,104	3,046
Purchased Services	2,162	2,091	71
Materials and Supplies	129,259	124,176	5,083
Total Expenses	<u>323,171</u>	<u>314,140</u>	<u>9,031</u>
Excess of Expenses Over Revenues	(44,240)	(51,524)	(7,284)
Advances In		<u>6,000</u>	<u>6,000</u>
Excess of Expenses Over Revenues and Advances	(44,240)	(45,524)	(1,284)
Fund Balance at Beginning of Year	46,057	46,057	
Prior Year Encumbrances Appropriated	<u>1,469</u>	<u>1,469</u>	
Fund Balance at end of Year	<u><u>\$3,286</u></u>	<u><u>\$2,002</u></u>	<u><u>(\$1,284)</u></u>

See Accompanying Notes to the General Purpose Financial Statements

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Enterprise
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$164,013
Cash Payments to Suppliers for Goods and Services	(122,350)
Cash Payments to Employees for Services	(122,769)
Cash Payments for Employee Benefits	(65,104)
Net Cash Used for Operating Activities	(146,210)
 Cash Flows from Noncapital Financing Activities:	
Advances In	6,000
Operating Grants Received	97,830
Net Cash Provided by Noncapital Financing Activities	103,830
 Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	-
 Cash Flows from Investing Activities:	
Cash Received from Interest	773
 Net Decrease in Cash and Cash Equivalents	(41,607)
 Cash and Cash Equivalents at Beginning of Year	47,527
Cash and Cash Equivalents at End of Year	5,920
 Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (173,180)
 Adjustments to Reconcile Operating Loss to Net Cash used for Operating Activities:	
Depreciation	3,170
Donated Commodities Used During Year	39,640
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(1,155)
Increase in Inventory Held for Resale	(7,080)
Increase in Materials and Supplies Inventory	(389)
Decrease in Prepaid Items	88
Increase in Accounts Payable	2,154
Decrease in Accrued Wages and Benefits	(4,704)
Decrease in Compensated Absences Payable	(1,712)
Decrease in Intergovernmental Payable	(3,042)
Net Cash Used for Operating Activities	(\$146,210)

See Accompanying Notes to the General Purpose Financial Statements

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE-FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The District is located in Allen County and includes all of Perry Township. It is staffed by 33 non-certificated employees, 54 certificated full-time teaching personnel and 4 administrative employees who provide services to 821 students and other community members. The District currently operates 2 instructional buildings and 1 bus garage.

A. Reporting Entity

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

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

The District is associated with six jointly governed organizations and two insurance pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, Apollo Joint Vocational School, the Spencerville, Perry and Bath Local Professional Development Committee, West Central Ohio Special Education Regional Resource Center, the West Central Ohio Regional Professional Development Center, the Northwestern Ohio Educational Research Council, the Allen County Schools Health Benefit Plan, and the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Program. These organizations are presented in Notes 19 and 20 to the general purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting

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

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

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

1. Governmental Fund Types:

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

General Fund

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

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Funds

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

Capital Projects Fund

The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Fund Types:

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

Enterprise Funds

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

3. Fiduciary Fund Types:

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

4. Account Groups:

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

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the District, other than those accounted for in the enterprise or trust funds.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the District except those accounted for in the enterprise or trust funds.

B. Measurement Focus and Basis of Accounting

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

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The enterprise fund is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The operating statement of this fund presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

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

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 the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means 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 fiscal 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 the 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 fiscal 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 the 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 both measurable and available at fiscal year end: property taxes available as an advance, grants, interest, tuition, and student fees.

Deferred revenues arise when assets are recognized before revenue recognition criteria has 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, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

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

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

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the special cost center level within each fund, function, and object. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

1. Tax Budget

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

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

2. Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure.

On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts from the certificate of estimated resources that was in effect at the time the final appropriations were passed by the Board of Education.

3. Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources, based on final assessed values and tax rates, or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, object, and special cost center level of expenditures within each fund, which are the legal levels of budgetary control.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control.

Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, or alter special cost centers within a fund, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations as long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriation resolutions were legally enacted.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts passed during the fiscal year. Formal budgetary integration is employed as a management control device during the year for all funds, except agency funds.

4. Encumbrances:

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

5. Lapsing of Appropriations:

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

D. Cash and Cash Equivalents

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

During fiscal year 2002, investments were limited to STAROhio, non-negotiable certificates of deposit, and federal securities. Non-negotiable certificates of deposit are reported at cost. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2002.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during fiscal year 2002 amounted to \$56,858 which includes \$3,060 assigned from other District funds.

For purposes of the Combined Statement of Cash Flows and for presentation of the Combined Balance Sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

E. Inventory

Inventory in the governmental funds is stated at cost while inventory in the enterprise fund is stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in the governmental funds consists of expendable supplies held for consumption. The costs of inventory items are recorded as expenditures in the governmental fund types when used. Inventory in the enterprise fund consists of donated and purchased food and is expensed when used.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues required to be set-aside to create a reserve for budget stabilization.

H. Fixed Assets and Depreciation

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

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

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

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

J. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. For all funds, the District records a liability for accumulated unused sick leave for classified employees, certified employees, and administrators after ten years of service or for employees 60 years of age or older and five years of service.

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

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources.

Payments made more than two months after year end are considered not to have used current available financial resources. Bonds are reported as a liability of the general long-term debt obligations account group until due.

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

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Interfund Transactions

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

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

M. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

N. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to enterprise funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

Because the District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1993, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to enterprise funds have been classified as retained earnings.

Contributed contributions received after June 30, 2000, have been recorded as revenues and are reported as increases in retained earnings based on new guidelines established in GASB Statement No. 33, *"Accounting and Financial Reporting for Nonexchange Transactions"*.

O. Use of Estimates

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

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Total Columns on General Purpose Financial Statements

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

3. RESTATEMENT OF FUND EQUITY

Fixed assets and accumulated depreciation in the enterprise funds decreased due to the changing of the threshold amount for capitalizing fixed assets from one hundred dollars to one thousand dollars. Enterprise fixed assets decreased \$33,448, from \$113,586 to \$80,138, and accumulated depreciation decreased \$21,454, from \$55,608 to \$34,154. As a result of the restatement, retained earnings as previously reported as of June 30, 2001, decreased \$11,994, from \$87,981 to \$75,987.

The fixed assets reported in the general fixed assets account group decreased \$618,668, from \$4,160,310 to \$3,541,642.

4. ACCOUNTABILITY

At June 30, 2002, the Disadvantage Pupil Impact Aid special revenue fund had a deficit fund balance of \$135. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

5. BUDGETARY BASIS OF ACCOUNTING

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

- a. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- b. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- c. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the enterprise fund type (GAAP basis).

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING

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

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

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	(\$372,482)	(\$13,466)	\$93,970	(\$3,745,716)	\$(304)
Revenue Accruals	(23,960)	(87)	127	34	
Expenditure Accruals	139,663	3,565		587,615	
Cash on Hand	(19)				
Prepays	(7,355)	986			
Material and Supplies	1,875	(16)			
Advances In	46,000	41,000			
Advances Out	(47,000)	(46,000)			
Change in Fair Value				12,048	
Encumbrances Outstanding At Year End(Budget Basis)	(117,301)	(7,528)		(1,150,918)	(62,256)
Budget Basis	<u>(\$380,579)</u>	<u>(\$21,546)</u>	<u>\$94,097</u>	<u>(\$4,296,937)</u>	<u>\$(62,560)</u>

**Net Loss of Revenues Under Expenses and Advances
Proprietary Fund Type**

	Enterprise
GAAP Basis	\$(23,517)
Revenue Accrual	(13,015)
Expense Accrual	(7,304)
Change in Material and Supply Inventory	(389)
Change in Inventory Held for Resale	(7,080)
Change in Prepaid Items	88
Depreciation Expense	3,170
Loss on Disposal of Fixed Asset	440
Advances In	6,000
Encumbrances Outstanding at Year End (Budget Basis)	(3,917)
Budget Basis	<u>\$(45,524)</u>

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

6. DEPOSITS AND INVESTMENTS

The Treasurer is responsible for selecting depositories and investing funds. 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 Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim moneys. Interim moneys are those moneys 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 pass book accounts. Interim moneys may be deposited or invested in the following securities:

- a. 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;
- b. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency services shall be direct issuances of federal government agencies or instrumentalities;
- c. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- d. Bonds and other obligations of the State of Ohio;
- e. 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;
- f. The State Treasurer's investment pool (STAROhio).

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 moneys deposited with the institution.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

At fiscal year end, the District had \$50 in undeposited cash on hand which is included on the Combined Balance Sheet of the District as part of “Equity in Pooled Cash and Cash Equivalents.”

Deposits: At fiscal year end, the carrying amount of the District's deposits was \$1,417,970 and the bank balance was \$1,542,730. Of the bank balance, \$300,000 was covered by federal depository insurance. The remaining amounts were uninsured and uncollateralized. Although the securities were held by the pledging financial institutions trust departments in the District's name and all state statutory requirements for the investment of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

At fiscal year end, the District's agency funds had a balance of \$37,507 consisting of cash with CoreSource for a Section 125 cafeteria plan. The cash is held by CoreSource in a pooled account which is representative of numerous funds, therefore, it cannot be classified by risk under GASB Statement 3.

Investments: The District's investments are to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but none in the District's name.

	Risk Category 2	Carrying Value	Fair Value
Federal Home Loan Mortgage Notes	\$898,650	\$898,650	\$898,650
Federal Home Loan Bank Notes	199,240	199,240	199,240
	\$1,097,890	1,097,890	1,097,890
STAR Ohio		537,668	537,668
Mutual Funds		18,252	18,252
Totals		\$1,653,810	\$1,653,810

Investments in mutual funds and STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified since they are not evidenced by securities that exist in physical or book entry form.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

A reconciliation between the classifications of cash and investments on the combined financial statements and the classifications per GASB 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$2,011,447	\$1,097,890
Cash on Hand	(50)	0
CoreSource	(37,507)	
Investments:		
STAR Ohio	(537,668)	537,668
Mutual Funds	(18,252)	18,252
GASB Statement No. 3	\$1,417,970	\$1,653,810

7. PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2002 represent the collection of calendar year 2001 taxes. Real property taxes for calendar year 2002 are levied after April 1, 2001, on the assessed values as of January 1, 2001, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for calendar year 2002 were levied after April 1, 2001, on the assessed values as of December 31, 2000, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2002 (other than public utility property) represent the collection of calendar year 2002 taxes. Tangible personal property taxes for calendar year 2002 were levied after April 1, 2001, on the value as of December 31, 2001. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Allen County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

7. PROPERTY TAXES (Continued)

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property which were 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 fiscal 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, 2002, was \$166,240 in the general fund. The amount available as an advance at June 30, 2001, was \$126,410 in the general fund.

The assessed values upon which fiscal year 2002 taxes were collected are:

	2001 Second- Half Collections		2002 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$61,131,620	67.50%	\$63,262,800	66.62%
Public Utility Personal	7,499,590	8.28	6,145,050	6.47
Tangible Personal Property	21,925,197	24.22	25,554,210	26.91
Total Assessed Value	<u>\$90,556,407</u>	<u>100.00%</u>	<u>\$94,962,060</u>	<u>100.00%</u>
Tax rate per \$1,000 of Assessed Valuation	\$40.84		\$40.84	

8. RECEIVABLES

Receivables at June 30, 2002, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the intergovernmental receivables follow:

Special Revenue Funds	
Eisenhower	\$70
Enterprise Fund	
Federal Subsidy	11,860
Total Intergovernmental Receivables	<u>\$11,930</u>

9. FIXED ASSETS

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

Furniture and Equipment	\$75,740
Less Accumulated Depreciation	<u>(33,366)</u>
Net Fixed Assets	<u>\$42,374</u>

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

9. FIXED ASSETS (Continued)

A summary of the changes in general fixed assets during fiscal year 2002 follows:

Asset Category	Balance at 6/30/01	Additions	Deletions	Balance at 6/30/02
Land and Improvements	\$884,832	\$9,994	\$0	\$894,826
Buildings	1,319,765	4,808	0	1,324,573
Furniture, Fixtures and Equipment	708,211	89,642	24,727	773,126
Vehicles	432,770	48,880	34,789	446,861
Construction in Progress	196,064	3,846,200	0	4,042,264
Totals	\$3,541,642	\$3,999,524	\$59,516	\$7,481,650

10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002, the District contracted with Nationwide Insurance for general liability and fleet insurance, and with Indiana Insurance Company for property insurance. Coverages provided by the various insurances are as follows:

Building and Contents-replacement cost	\$18,328,793
Automobile Liability (\$50 deductible)	1,000,000
Uninsured Motorists (\$50 deductible)	1,000,000
General Liability	1,000,000
Per occurrence	2,000,000
Total per year	5,000,000

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

The District participates in the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Program (the Program), an insurance purchasing pool. The Program is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Program. Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate. Participation in the Program is limited to educational entities that can meet the Program's selection criteria. Each participant must apply annually. The Program provides the participants with a centralized program for the processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

The District participates in the Allen County Schools Health Benefit Plan (the Plan), a public entity shared risk pool consisting of the school districts within Allen County. The District pays monthly premiums to the Plan for employee medical and dental benefits. The Plan is responsible for the management and operations of the program. Upon withdrawal from the Plan, a participant is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

11. DEFINED BENEFIT PENSION PLANS

A. 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 retirement and disability benefits, annual cost-of-living adjustments, and death benefits 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. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

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 for fiscal years 2002 and 2001. 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 contribution for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$238,545, \$209,523, and \$137,916, respectively; 81.7 percent has been contributed for fiscal year 2002, and 100 percent for fiscal years 2001 and 2000. \$43,548 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

B. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 5.46 percent was the portion used to fund pension obligations for fiscal year 2002. For fiscal year 2001, 4.2 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 contribution for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$41,407, \$30,030, and \$37,672, respectively; 50.6 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$20,475 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2002, three members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

**PERRY LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

12. 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 classified 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.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2002, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$112,995 during the 2002 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.256 billion at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 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 twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including surcharge, equaled \$71,201 during the 2002 fiscal year.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expense for health care for the fiscal year ended June 30, 2001 (the latest information available), was \$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.

13. EMPLOYEE BENEFITS

A. Compensated Absences

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

**PERRY LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

13. EMPLOYEE BENEFITS (Continued)

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 230 days for certified employees and 200 days to classified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 42 days for classified employees and 50 days for certified employees.

B. Health Care Benefits

The District has elected to provide employee medical/surgical and dental benefits through the Allen County Schools Health Benefit Plan. The employees share the cost of the monthly premium with the Board. The premium varies with employees depending on the terms of the union contract. Life insurance is provided through CoreSource. The District also contributes to a Flexible Health Benefit Spending Account for each employee, for medical expenses not covered by other health insurance.

14. CONTRACTUAL COMMITMENTS

As of June 30, 2002, the District had contractual purchase commitments as follows:

<u>Company</u>	<u>Project</u>	<u>Amount Remaining on Contract</u>
Peck, Shaffer & Williams	Legal Fees	\$3,479
Sheets Associates	Architect Fees	2,921
Vulcan Enterprises	Fire Protection	16,812
Frost & Company	Plumbing	44,589
Reynolds Electric	Electrical	77,698
Smith Boughan Plumbing	HVAC	98,150
Thomas & Marker	General Contractor	868,670

15. LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2002 were as follows:

	<u>Balance 6/30/2001</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2002</u>
General Long Term Obligations				
General Obligation Bonds				
2001 3.40 – 10.19%				
Term Bonds	\$1,485,000	\$0	\$0	\$1,485,000
Serial Bonds	2,905,000	0	0	2,905,000
Capital Appreciation Bonds	209,071	10,260	0	219,331
Total General Obligation Bonds	4,599,071	10,260	0	4,609,331
Special Assessment	117,227		2,952	114,275
Intergovernmental Payable	38,038	36,448	38,038	36,448
Compensated Absences Payable	276,572	13,152	0	289,724
Total Long Term Obligations	<u>\$5,030,908</u>	<u>\$59,860</u>	<u>\$40,990</u>	<u>\$5,049,778</u>

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

15. LONG-TERM OBLIGATIONS (Continued)

School Improvement General Obligation Bonds – On March 1, 2001, the District issued \$4,499,999 in voted general obligation bonds for constructing, improving, and making additions to school buildings and related site development. The bond issue included serial, term, and capital appreciation bonds in the amount of \$2,905,000, \$1,485,000 and \$209,071, respectively. The bonds will be retired with a voted property tax levy from the debt service fund.

The term bonds maturing on December 1, 2018, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the District. The mandatory redemption is to occur on December 1, in each of the years 2014 through 2017 (with the balance of \$215,000 to be paid at stated maturity on December 1, 2018) at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2014	\$180,000
2015	190,000
2016	205,000
2017	210,000

The term bonds maturing on December 1, 2021, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the District. The mandatory redemption is to occur on December 1, in each of the years 2019 through 2020 (with the balance of \$255,000 to be paid at stated maturity on December 1, 2021) at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2019	\$245,000
2020	250,000

The term bonds maturing on December 1, 2025, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the District. The mandatory redemption is to occur on December 1, in each of the years 2022 through 2024 (with the balance of \$305,000 to be paid at stated maturity on December 1, 2025) at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2022	\$270,000
2023	280,000
2024	300,000

Current serial bonds redeemed by other than mandatory redemption, or purchased for cancellation, may be credited against the applicable mandatory redemption requirement.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

15. LONG-TERM OBLIGATIONS (Continued)

The serial bonds maturing after December 1, 2012, are subject to optional redemption, in whole or in part on any date in inverse order of maturity and by lot within a maturity, in integral multiples of \$5,000, at the option of the District on or after December 1, at the redemption prices (expressed as percentages of the principal amount to be redeemed) set forth below, plus accrued interest to the redemption date:

Redemption Dates (Dates Inclusive)	Redemption Prices
December 1, 2011 through November 30, 2012	101%
December 1, 2012 and thereafter	100

The capital appreciation bonds will mature in fiscal years 2012 and 2013. The maturity amount of the bonds is \$370,000. For fiscal year 2002, \$10,260 was accreted for a total bond value of \$219,331.

In October, 1995, the District entered into a contract with the Allen Water District to construct a water main to supply city water services to the District's facilities. Installation was completed in September, 1996. The cost to the District was \$225,000. The unpaid balance under the contract was certified to Allen County Auditor for collection as a special assessment in fiscal year 1998. The special assessments will be paid semi-annually from the permanent improvement capital projects fund. The contract with the Allen Water District also allows the school to receive 95 percent of any tap fees collected for a period of ten years or a maximum of \$170,000. Since the actual amount to be received cannot be estimated, a receivable was not recorded.

Compensated absences and the intergovernmental payable will be paid from the fund from which the employees' salaries are paid.

The District's overall legal debt margin was \$4,213,649 with an unvoted debt margin of \$94,962 at June 30, 2002.

Principal and interest requirements to retire the special assessment outstanding at June 30, 2002, are as follows:

Fiscal Year Ending	Principal	Interest	Amount
2003	\$3,127	\$6,790	\$ 9,917
2004	3,313	6,604	9,917
2005	3,510	6,407	9,917
2006	3,718	6,199	9,917
2007	3,939	5,978	9,917
2008-2012	23,497	26,088	49,585
2013-2017	31,355	18,230	49,585
2018-2022	41,816	7,743	49,559
Total	<u>\$114,275</u>	<u>\$84,039</u>	<u>\$198,314</u>

**PERRY LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

15. LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire the bonds outstanding at June 30, 2002, are as follows:

Fiscal Year	<u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 125,000	\$205,738	\$ 330,738	\$ 330,738
2004	130,000	201,273	331,273	331,273
2005	135,000	196,435	331,435	331,435
2006	140,000	191,277	331,277	331,277
2007	150,000	185,692	335,692	335,692
2008-2012	805,000	833,698	1,638,698	1,638,698
2013-2017	945,000	702,562	1,647,562	1,647,562
2018-2022	1,175,000	458,948	1,633,948	1,633,948
2023-2026	<u>1,155,000</u>	<u>124,556</u>	<u>1,279,556</u>	<u>1,279,556</u>
Total	<u>\$4,760,000</u>	<u>\$3,100,179</u>	<u>\$7,860,179</u>	<u>\$7,860,179</u>

16. RESERVATIONS OF FUND BALANCE

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

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

	<u>Textbook</u>	<u>Capital</u>	<u>Budget</u>
Set-aside Cash Balance as of June 30, 2001	(\$201,087)	(\$24,261)	\$18,265
Revenue Required to be Set-aside	103,611	103,611	0
Termination of Budget Reserve	0	0	0
Qualifying Expenditures (Paid in Cash)	(39,783)	0	0
Off-set for the current year	<u>0</u>	<u>(106,325)</u>	<u>0</u>
Balance as of June 30, 2002	<u>(\$137,259)</u>	<u>(\$26,975)</u>	<u>\$18,265</u>

The District had qualifying disbursements and offsets during the fiscal year that reduced the textbook and/or capital improvements set-aside amounts below zero. These extra amounts may be used to reduce the set-aside requirements in future fiscal years. The balance of \$18,265 in the budget reserve represents the Workers' Compensation portion.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

17. INTERFUND ACTIVITY

As of June 30, 2002, receivables and payables that resulted from various interfund transactions were as follows:

	Interfund		Advances	
	Receivable	Payable	To Other Funds	From Other Funds
General Fund	\$6,000	\$0	\$14,000	\$0
Enterprise Funds				
Lunchroom	0	6,000	0	0
Uniform School Supply	0	0	0	14,000
Total	\$6,000	\$6,000	\$14,000	\$14,000

18. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the District as of and for the fiscal year ended June 30, 2002.

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$152,172	\$12,996	\$165,168
Depreciation Expense	3,170	0	3,170
Operating Income (Loss)	(174,368)	1,188	(173,180)
Donated Commodities	39,640	0	39,640
Operating Grants	109,690	0	109,690
Advance In	6,000	0	6,000
Net Income (Loss)	(24,866)	1,349	(23,517)
Net Working Capital	(2,353)	33,621	31,268
Total Assets	71,702	33,621	105,323
Total Equity	33,448	19,622	53,070
Encumbrances Outstanding at June 30, 2002 (Budget Basis)	2,197	1,720	3,917

19. JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative - The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC) which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Putnam, Mercer, Hancock, Van Wert, and Paulding Counties and Cities of Wapakoneta and St. Marys. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Financial information can be obtained from Michael Wildermuth, who serves as director, at 645 South Main Street, Lima, Ohio 45804.

**PERRY LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

19. JOINTLY GOVERNED ORGANIZATIONS (Continued)

Apollo Joint Vocational School - The Apollo Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Apollo Joint Vocational School, Greg Bukowski, who serves as Treasurer, at 3325 Shawnee Road, Lima, Ohio 45806.

Spencerville, Perry, and Bath Local Professional Development Committee - The Spencerville, Perry, and Bath Local Professional Development Committee is a consortium operated under the direction of a Board consisting of one representative from the educators of each school, along with two administrators from the member schools chosen by the superintendents. The Committee was formed to review coursework and other professional development activities completed by educators within the school districts and used for the renewal of certificates and licenses. As of June 30, 2002, there was no financial information available for this Committee.

West Central Ohio Special Education Regional Resource Center - The West Central Ohio Special Education Regional Resource Center (SERRC) is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The SERRC is governed by a board of 52 members made up the 50 superintendents of the participating districts, one non-public school, and Wright State University whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Krista Hart, Treasurer, at the Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

West Central Regional Professional Development Center (Center) - The Center is a jointly governed organization among the school districts located in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam and Van Wert counties. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development, in which school districts, the business community, higher education and other groups cooperatively plan and implement effective professional development activities than are tied directly to school improvement, and in particular, to improvements in instructional programs. The Center is governed by a board made up of fifty-two representatives of the participating school districts, the business community, and two institutions of higher learning whose term rotates every two years. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information may be obtained by contacting Bradley Brown, Treasurer, Hancock County Educational Service Center, 7746 Co. Rd. 140, Findlay, Ohio 45840-3087.

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

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

20. INSURANCE PURCHASING POOL

Allen County Schools Health Benefit Plan - The District participates in the Allen County Schools Health Benefit Plan (the Program), a public entity shared risk pool consisting of the school districts within Allen County. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides sick, accident and other benefits to the employees of the participating school districts. Each participating school district's superintendent is appointed to a Board of Trustees which advises the Trustee, CoreSource, concerning aspects of the administration of the Trust.

Each school district decides which plans offered the Board of Trustees will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Board of Trustees and payment of the monthly premiums. Financial information can be obtained from Don Smith, who serves as Chairman, at 204 North Main Street, Lima, Ohio 45801.

Northwest Ohio Area Computer Service Cooperative Workers' Compensation Group Rating Program - The School District participates in the Northwest Ohio Area Computer Service Cooperative Workers' Compensation Group Rating Program (Program), an insurance purchasing pool. The Program's business and affairs are conducted by a twenty-five member Board of directors consisting of two representatives from each county elected by a majority vote of all charter member schools within each county plus one representative from the fiscal agency A-site. The Treasurer of Findlay City Schools serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the Program to cover the costs of administering the program and its financial operations.

21. STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its third opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

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

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

22. GRANTS

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2002.

PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR FISCAL YEAR ENDED JUNE 30, 2002

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
(Passed through Ohio Department of Education)						
Food Distribution Program		10.550		\$34,800		\$31,579
National School Lunch Program	LLP4-2002	10.555	\$91,641		\$91,641	
Total U.S. Department of Agriculture - Nutrition Cluster			91,641	34,800	91,641	31,579
U.S. DEPARTMENT OF EDUCATION						
(Passed through Ohio Department of Education)						
Title I, Part A, IASA	C1S1-2002	84.010	161,712		134,596	
Title I, Part A, IASA	C1S1-2001	84.010			19,472	
Total Title I, Part A, IASA			161,712		154,068	
Title VI-B, Special Education Grants to States	6BSF-2002-P	84.027	64,048		64,048	
Title VI, Innovative Education Program Strategies	C2S1-2002	84.298	4,494		3,463	
Title VI, Innovative Education Program Strategies	C2S1-2001	84.298			770	
Total Title VI			4,494		4,233	
Dwight D. Eisenhower Mathematics and Science Grants	MSS1-2002	84.281	5,635		4,175	
Dwight D. Eisenhower Mathematics and Science Grants	MSS1-2001	84.281			82	
Total Eisenhower Professional Development State Grants			5,635		4,257	
Drug-Free Grants	DRS1-2002	84.186	3,410		3,410	
Title VI-R, Reducing Class Size	CRS1-2002	84.340	32,188		28,987	
Title VI-R, Reducing Class Size	CRS1-2001	84.340			6,718	
Total VI-R			32,188		35,705	
Total U.S. Department of Education			271,487		265,721	
Total Federal Assistance			\$363,128	\$34,800	\$357,362	\$ 31,579

See Accompanying Notes to the Schedule of Federal Awards Expenditures.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN 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) summarizes activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B -- FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the United States Department of Agriculture, is reported in the Schedule at the fair 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.

NOTE C -- MATCHING REQUIREMENTS

Certain federal programs require that the District contribute non-federal funds (matching funds) to support the federally-funded programs. The District has complied with the matching requirements. The expenditure of non-federal matching funds is not included on the schedule.



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

Perry Local School District
Allen County
2770 East Breese Road
Lima, Ohio 45806

To the Members of the Board of Education:

We have audited the financial statements of the Perry Local School District (the District), Allen County, as of and for the year ended June 30, 2002, and have issued our report thereon dated November 13, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

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.

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

This report is intended for the information and use of the audit committee, management, 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, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

November 13, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

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

Perry Local School District
Allen County
2770 East Breese Road
Lima, Ohio 45806

To the Members of the Board of Education:

Compliance

We have audited the compliance of Perry Local School District, (the District), Allen County, 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 the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

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

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of law, 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.

**Internal Control Over Compliance
(Continued)**

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 law, 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, and federal award agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a stylized flourish at the end.

Jim Petro
Auditor of State

November 13, 2002

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
FISCAL YEAR ENDED JUNE 30, 2002**

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):	Title I, CFDA #84.010
<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



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PERRY LOCAL SCHOOL DISTRICT

ALLEN 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
DECEMBER 10, 2002**