

PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

General Purpose Financial Statements

June 30, 2002



**Auditor of State
Betty Montgomery**

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Board of Education
Perrysburg Exempted Village School District

We have reviewed the Independent Auditor's Report of the Perrysburg Exempted Village School District, Wood County, prepared by Clark, Schaefer, Hackett & Co. for the audit period July 1, 2001 through June 30, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

January 22, 2003

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PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

Table of Contents

	<u>Page</u>
Independent Auditors' Report	
General Purpose Financial Statements:	
Combined Balance Sheet – All Fund Types and Account Groups	2 - 3
Combined Statements of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds Types and Similar Trust Funds	4
Combined Statements of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Budget Basis) – All Governmental Funds Types and Similar Trust Funds	5 - 6
Combined Statements of Revenues, Expenses and Changes in Retained Earnings – All Proprietary Fund Types and Nonexpendable Trust Fund	7
Combined Statement of Cash Flows – All Proprietary Fund Types And Nonexpendable Trust Fund	8
Notes to the General Purpose Financial Statements	9 - 30
Schedule of Prior Audit Findings	31
Schedule of Expenditures of Federal Awards	32
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	33 - 34
Report on Compliance with Requirements Applicable to each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	35 - 36
Schedule of Findings and Questioned Costs	37 - 38

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Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Perrysburg Exempted Village School District:

We have audited the accompanying general purpose financial statements of Perrysburg Exempted Village School 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 Perrysburg Exempted Village School 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose 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 Perrysburg Exempted Village School District, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2002, except for Note 19, as to which the date is December 11, 2002 on our consideration of Perrysburg Exempted Village School 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.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of 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. Such information has been subjected 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.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
October 31, 2002
except for Note 19, as to
which the date is
December 11, 2002

PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

Combined Balance Sheet - All Fund Types and Account Groups

June 30, 2002

	Governmental Fund Types			Proprietary Fund Types			Fiduciary Fund Types			Account Groups			Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust & Agency	General Fixed Asset	Long-Term Debt	General			
										General	Debt		
ASSETS AND OTHER DEBITS													
ASSETS:													
Equity in pooled cash and cash equivalents	\$ 658,762	377,357	1,588,672	748,994	81,114	36,792	463,028	-	-	-	-	-	3,954,719
Investments	300,000	-	-	-	-	-	-	-	-	-	-	-	300,000
Net receivables:													
Taxes	16,852,774	-	3,895,788	950,417	-	-	-	-	-	-	-	-	21,698,979
Accounts	49,318	2,100	-	-	-	-	-	-	-	-	-	-	51,418
Intergovernmental	-	85,803	-	70,560	-	-	-	-	-	-	-	-	156,363
Interfund loan receivable	35,199	-	-	-	-	-	-	-	-	-	-	-	35,199
Materials and supplies inventory	-	-	-	-	14,856	-	-	-	-	-	-	-	14,856
Prepayments	65,494	-	-	-	23	-	-	-	-	-	-	-	65,517
Restricted assets:													
Cash and cash equivalents	137,211	-	-	-	-	-	-	-	-	-	-	-	137,211
Property, plant and equipment (net of accumulated depreciation where applicable)	-	-	-	-	700,054	-	-	71,581,769	-	-	-	-	72,281,823
OTHER DEBITS:													
Amount available in Debt Service Fund	-	-	-	-	-	-	-	-	2,038,672	-	-	-	2,038,672
Amount to be provided for retirement of general long-term debt	-	-	-	-	-	-	-	-	44,806,085	-	-	-	44,806,085
Total assets and other debits	\$ 18,098,758	465,260	5,484,460	1,769,971	796,047	36,792	463,028	71,581,769	46,844,757	-	-	-	145,540,842

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

PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

Combined Balance Sheet - All Fund Types and Account Groups

June 30, 2002

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types		Account Groups				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust & Agency	General	Fixed Asset	Long-Term Debt	General	Debt	
LIABILITIES, EQUITY AND OTHER CREDITS													
LIABILITIES:													
Accounts payable	\$ 97,124	11,860	-	6,979	3,765	-	-	-	-	-	-	-	119,728
Accrued wages and benefits	3,339,927	81,002	-	-	72,170	-	-	-	-	-	-	-	3,493,099
Pension obligation payable	513,839	9,687	-	-	55,369	-	67	-	-	182,450	-	-	761,412
Compensated absences payable	31,016	-	-	-	35,836	-	-	-	-	3,352,307	-	-	3,419,159
Deferred revenue	13,871,118	-	3,445,788	844,417	9,362	-	-	-	-	-	-	-	18,170,685
Interfund loan payable	-	21,934	-	-	13,265	-	-	-	-	-	-	-	35,199
Due to student groups	-	-	-	-	-	-	65,367	-	-	-	-	-	65,367
General obligation bonds payable	-	-	-	-	-	-	-	-	-	43,310,000	-	-	43,310,000
Total liabilities	17,853,024	124,483	3,445,788	851,396	189,767	-	65,434	-	-	46,844,757	-	-	69,374,649
EQUITY AND OTHER CREDITS													
Investments in general fixed assets	-	-	-	-	-	-	-	71,581,769	-	-	-	-	71,581,769
Retained earnings	-	-	-	-	606,280	36,792	-	-	-	-	-	-	643,072
Fund balances:													
Reserved for:													
Encumbrances	255,527	121,968	-	354,009	-	-	713	-	-	-	-	-	732,217
Budget stabilization	137,211	-	-	-	-	-	-	-	-	-	-	-	137,211
Prepayments	65,494	-	-	-	-	-	-	-	-	-	-	-	65,494
Property tax advances	1,554,000	-	450,000	106,000	-	-	-	-	-	-	-	-	2,110,000
Endowment	-	-	-	-	-	-	336,075	-	-	-	-	-	336,075
Unreserved - undesignated	(1,766,498)	218,809	1,588,672	458,566	-	-	60,806	-	-	-	-	-	560,355
Total equity and other credits	245,734	340,777	2,038,672	918,575	606,280	36,792	397,594	71,581,769	-	-	-	-	76,166,193
Total liabilities, equity and other credits	\$ 18,098,758	465,260	5,484,460	1,769,971	796,047	36,792	463,028	71,581,769	-	46,844,757	-	-	145,540,842

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

PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

Combined Statement of Revenues, Expenditures, and Changes in Fund
Balances - All Governmental Fund Types and Similar Trust Funds

Year Ended June 30, 2002

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Taxes	\$ 18,040,909	-	3,679,857	875,528	-	22,596,294
Tuition	22,260	570	-	-	-	22,830
Earnings on investments	335,976	-	-	4,016	1,447	341,439
Other local revenue	314,184	586,680	-	4,975	15,027	920,866
Intergovernmental - state	9,937,030	456,444	412,118	164,873	-	10,970,465
Intergovernmental - federal	-	440,794	-	-	-	440,794
Total revenues	<u>28,650,359</u>	<u>1,484,488</u>	<u>4,091,975</u>	<u>1,049,392</u>	<u>16,474</u>	<u>35,292,688</u>
Expenditures:						
Current:						
Instruction:						
Regular	17,297,878	148,540	-	195,947	17,201	17,659,566
Special	1,746,778	321,368	-	-	-	2,068,146
Vocational education	377,407	-	-	-	-	377,407
Other	17,683	-	-	-	-	17,683
Support services:						
Pupil	1,948,567	77,530	-	-	695	2,026,792
Instructional staff	509,979	20,128	-	-	-	530,107
General administration	43,961	-	-	-	-	43,961
School administration	2,183,707	9,564	-	-	-	2,193,271
Fiscal	754,642	1,250	39,513	9,530	-	804,935
Business	176,135	-	-	-	-	176,135
Operations and maintenance	3,857,852	10,328	-	428,164	-	4,296,344
Pupil transportation	1,449,827	12,578	-	57,847	-	1,520,252
Central	261,016	13,820	-	-	-	274,836
Community services	141,803	253,004	-	-	7,050	401,857
Extracurricular activities	462,343	613,620	-	-	6,717	1,082,680
Facilities acquisition and construction	86,203	-	-	7,208,742	-	7,294,945
Debt Service:						
Principal	-	-	1,480,000	-	-	1,480,000
Interest	-	-	2,224,413	-	-	2,224,413
Total expenditures	<u>31,315,781</u>	<u>1,481,730</u>	<u>3,743,926</u>	<u>7,900,230</u>	<u>31,663</u>	<u>44,473,330</u>
Excess of revenues over (under) expenditures	(2,665,422)	2,758	348,049	(6,850,838)	(15,189)	(9,180,642)
Other financing sources (uses):						
Other financing sources	14,693	-	-	-	-	14,693
Operating transfers in	-	20,955	-	1,199,109	1,376	1,221,440
Operating transfers out	(1,222,044)	-	-	-	-	(1,222,044)
Total other financing sources (uses)	<u>(1,207,351)</u>	<u>20,955</u>	<u>-</u>	<u>1,199,109</u>	<u>1,376</u>	<u>14,089</u>
Excess of revenues and other sources over (under) expenditures and other (uses)	(3,872,773)	23,713	348,049	(5,651,729)	(13,813)	(9,166,553)
Fund balance, beginning of year	4,118,507	317,064	1,690,623	6,570,304	75,332	12,771,830
Fund balance, end of year	\$ <u>245,734</u>	<u>340,777</u>	<u>2,038,672</u>	<u>918,575</u>	<u>61,519</u>	<u>3,605,277</u>

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

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PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Budget Basis) - All Governmental Fund Types and Similar Trust Funds

Year Ended June 30, 2002

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	\$ 17,833,000	17,832,379	(621)	-	-	-
Tuition	23,000	22,760	(240)	570	570	-
Earnings on investments	374,000	366,840	(7,160)	-	-	-
Other local revenues	295,000	276,481	(18,519)	619,665	570,812	(48,853)
Intergovernmental - state	9,917,000	9,937,030	20,030	463,813	465,182	1,369
Intergovernmental - federal	-	-	-	369,900	367,659	(2,241)
Total revenues	<u>28,442,000</u>	<u>28,435,490</u>	<u>(6,510)</u>	<u>1,453,948</u>	<u>1,404,223</u>	<u>(49,725)</u>
Expenditures:						
Current:						
Instruction:						
Regular	17,321,199	17,245,730	75,469	185,709	155,684	30,025
Special	1,954,216	1,856,853	97,363	353,221	323,395	29,826
Vocational	380,300	376,775	3,525	-	-	-
Other	17,700	17,683	17	-	-	-
Support services:						
Pupil	1,958,900	1,937,368	21,532	85,954	85,954	-
Instructional staff	512,200	506,632	5,568	18,935	18,935	-
General administration	58,000	51,489	6,511	-	-	-
School administration	2,181,000	2,155,072	25,928	9,114	9,564	(450)
Fiscal	778,200	753,830	24,370	10,146	1,250	8,896
Business	194,200	182,804	11,396	-	-	-
Operations and maintenance	4,151,500	3,951,067	200,433	10,328	10,328	-
Pupil transportation	1,461,750	1,445,192	16,558	12,578	12,578	-
Central	261,500	255,010	6,490	26,330	18,635	7,695
Facilities acquisition and construction	110,000	106,522	3,478	-	-	-
Community services	139,500	138,653	847	285,076	276,682	8,394
Extracurricular activities	524,200	522,956	1,244	775,358	689,625	85,733
Debt Service:						
Repayment of debt	-	-	-	-	-	-
Total expenditures	<u>32,004,365</u>	<u>31,503,636</u>	<u>500,729</u>	<u>1,772,749</u>	<u>1,602,630</u>	<u>170,119</u>
Excess of revenues over (under) expenditures	<u>(3,562,365)</u>	<u>(3,068,146)</u>	<u>494,219</u>	<u>(318,801)</u>	<u>(198,407)</u>	<u>120,394</u>
Other financing sources (uses):						
Advances in	-	107,917	107,917	12,530	12,944	414
Advances out	-	(120,861)	(120,861)	-	-	-
Transfers in	132,562	1,976,744	1,844,182	25,000	31,940	6,940
Transfers out	(1,400,000)	(3,198,789)	(1,798,789)	-	(3,853)	(3,853)
Other sources (uses)	15,000	14,693	(307)	-	-	-
Total other financing sources (uses)	<u>(1,252,438)</u>	<u>(1,220,296)</u>	<u>32,142</u>	<u>37,530</u>	<u>41,031</u>	<u>3,501</u>
Excess of revenues and other sources over (under) expenditures and other (uses)	<u>(4,814,803)</u>	<u>(4,288,442)</u>	<u>526,361</u>	<u>(281,271)</u>	<u>(157,376)</u>	<u>123,895</u>
Fund balance, beginning of year	3,273,460	3,273,460		292,792	292,792	
Prior year encumbrances appropriated	<u>1,812,899</u>	<u>1,812,899</u>		<u>112,176</u>	<u>112,176</u>	
Fund balance, end of year	\$ <u>271,556</u>	<u>797,917</u>		<u>123,697</u>	<u>247,592</u>	

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

Debt Service Fund			Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
3,217,000	3,216,224	(776)	845,000	844,528	(472)	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	4,200	4,016	(184)	2,500	1,446	(1,054)
-	-	-	5,000	4,975	(25)	16,300	15,028	(1,272)
412,200	412,118	(82)	94,500	94,313	(187)	-	-	-
-	-	-	-	-	-	-	-	-
<u>3,629,200</u>	<u>3,628,342</u>	<u>(858)</u>	<u>948,700</u>	<u>947,832</u>	<u>(868)</u>	<u>18,800</u>	<u>16,474</u>	<u>(2,326)</u>
-	-	-	252,688	252,196	492	17,900	17,201	699
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	2,338	797	1,541
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
40,100	39,513	587	9,600	9,530	70	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	992,502	948,953	43,549	-	-	-
-	-	-	60,000	57,847	2,153	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	9,657,811	9,566,199	91,612	-	-	-
-	-	-	-	-	-	7,300	7,050	250
-	-	-	-	-	-	8,707	7,350	1,357
-	-	-	-	-	-	-	-	-
<u>3,735,000</u>	<u>3,704,413</u>	<u>30,587</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>3,775,100</u>	<u>3,743,926</u>	<u>31,174</u>	<u>10,972,601</u>	<u>10,834,725</u>	<u>137,876</u>	<u>36,245</u>	<u>32,398</u>	<u>3,847</u>
<u>(145,900)</u>	<u>(115,584)</u>	<u>30,316</u>	<u>(10,023,901)</u>	<u>(9,886,893)</u>	<u>137,008</u>	<u>(17,445)</u>	<u>(15,924)</u>	<u>1,521</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	1,199,200	1,199,109	(91)	-	1,376	1,376
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	<u>1,199,200</u>	<u>1,199,109</u>	<u>(91)</u>	<u>-</u>	<u>1,376</u>	<u>1,376</u>
<u>(145,900)</u>	<u>(115,584)</u>	<u>30,316</u>	<u>(8,824,701)</u>	<u>(8,687,784)</u>	<u>136,917</u>	<u>(17,445)</u>	<u>(14,548)</u>	<u>2,897</u>
1,354,624	1,354,624	-	26,014	26,014	-	75,052	75,052	-
-	-	-	9,050,454	9,050,454	-	371	371	-
<u>1,208,724</u>	<u>1,239,040</u>	<u>-</u>	<u>251,767</u>	<u>388,684</u>	<u>-</u>	<u>57,978</u>	<u>60,875</u>	<u>-</u>

PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

Combined Statement of Revenues, Expenses and Changes in Retained Earnings
All Proprietary Fund Types and Nonexpendable Trust Fund

Year Ended June 30, 2002

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Operating revenues:				
Sales/charges for services	\$ 1,172,007	48,722	-	1,220,729
Tuition	205,174	-	-	205,174
Other operating revenues	-	-	20,540	20,540
Earnings on investments	-	-	9,733	9,733
Total operating revenues	<u>1,377,181</u>	<u>48,722</u>	<u>30,273</u>	<u>1,456,176</u>
Operating expenses:				
Personnel services	706,784	-	-	706,784
Contractual services	18,872	1,353	-	20,225
Materials and supplies	852,704	49,816	-	902,520
Depreciation	67,322	-	-	67,322
Other operating expenses	9,512	-	15,101	24,613
Total operating expenses	<u>1,655,194</u>	<u>51,169</u>	<u>15,101</u>	<u>1,721,464</u>
Operating income (loss)	<u>(278,013)</u>	<u>(2,447)</u>	<u>15,172</u>	<u>(265,288)</u>
Nonoperating revenues:				
Interest income	14	-	-	14
Operating grants	97,613	-	-	97,613
Operating grants - donated commodities	52,677	-	-	52,677
Total nonoperating revenues	<u>150,304</u>	<u>-</u>	<u>-</u>	<u>150,304</u>
Net income before operating transfers	<u>(127,709)</u>	<u>(2,447)</u>	<u>15,172</u>	<u>(114,984)</u>
Operating transfers in	604	-	-	604
Net income (loss)	<u>(127,105)</u>	<u>(2,447)</u>	<u>15,172</u>	<u>(114,380)</u>
Retained earnings/fund balance, beginning of year, restated	733,385	39,239	320,903	1,093,527
Retained earnings/fund balance, end of year	<u>\$ 606,280</u>	<u>36,792</u>	<u>336,075</u>	<u>979,147</u>

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

PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

Combined Statement of Cash Flows All Proprietary Fund Types and Nonexpendable Trust Fund

Year Ended June 30, 2002

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Cash flows from operating activities:				
Cash received from customers	\$ 1,379,256	-	-	1,379,256
Cash received from other operations	-	48,722	20,540	69,262
Cash payments for personal services	(699,835)	-	-	(699,835)
Cash payments for contract services	(19,131)	(3,706)	-	(22,837)
Cash payments for supplies and materials	(802,229)	(52,034)	-	(854,263)
Cash payments for other expenses	(9,512)	-	(15,101)	(24,613)
Interest received	-	-	9,733	9,733
Net cash provided (used) by operating activities	<u>(151,451)</u>	<u>(7,018)</u>	<u>15,172</u>	<u>(143,297)</u>
Cash flows from noncapital financing activities:				
Cash received from other funds	604	-	-	604
Cash received from operating grants	113,515	-	-	113,515
Net cash provided by noncapital financing activities	<u>114,119</u>	<u>-</u>	<u>-</u>	<u>114,119</u>
Cash flows from investing activities:				
Interest received	14	-	-	14
Net change in cash	(37,318)	(7,018)	15,172	(29,164)
Cash, beginning of year	<u>118,432</u>	<u>43,810</u>	<u>320,903</u>	<u>483,145</u>
Cash, end of year	<u>81,114</u>	<u>36,792</u>	<u>336,075</u>	<u>453,981</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	(278,013)	(2,447)	15,172	(265,288)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	67,322	-	-	67,322
Donated commodities used	52,677	-	-	52,677
Changes in assets and liabilities:				
Accounts receivable	2,075	-	-	2,075
Prepayments	(12)	-	-	(12)
Materials and supplies inventory	(619)	-	-	(619)
Accounts payable	(2,580)	(4,571)	-	(7,151)
Accrued wages and benefits	689	-	-	689
Deferred revenue	750	-	-	750
Pension obligation payable	7,910	-	-	7,910
Compensated absences payable	(1,650)	-	-	(1,650)
Net cash provided (used) by operating activities	<u>\$ (151,451)</u>	<u>(7,018)</u>	<u>15,172</u>	<u>(143,297)</u>

Reconciliation of Nonexpendable Trust to Balance Sheet:

Cash and cash equivalents - All Fiduciary Funds	\$ 463,028
Cash and cash equivalents - Expendable Trust and Agency Funds	126,953
Cash and cash equivalents - Nonexpendable Trust Fund	<u>\$ 336,075</u>

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

PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
Year Ended June 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Perrysburg Exempted Village School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally elected five-member Board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal guidelines. This Board controls the School District's seven instructional and support facilities to provide services to students and other community members.

The reporting entity is comprised of the primary government, which consists of all funds, departments, boards, and agencies that are not legally separate from the School District. This includes general operations, food service, preschool and student related activities of the School District.

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

The following activity is included within the reporting entity:

Parochial School - Within the School District boundaries, St. Rose School is operated through the Toledo Catholic Archdiocese. Current State legislation provides funding to this parochial school, which is received and disbursed on behalf of the parochial school by the Treasurer of the School District, as directed by the parochial school. The administration of the State monies by the School District is reflected in a special revenue fund for financial reporting purposes.

The School District is associated with four organizations, two of which are jointly governed organizations and two are insurance purchasing pools. These organizations are the Northern Ohio Educational Computer Association, the Penta County Joint Vocational School, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Wood County Schools Benefit Plan. The organizations are presented in Notes 15 and 16 to the general purpose financial statements.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

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

Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

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

Governmental Fund Types:

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

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

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

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

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

Proprietary Fund Types:

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

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

Internal Service Funds - Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the School District, or to other governments, on a cost reimbursement basis.

Fiduciary Fund Types:

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

Account Groups:

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

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

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

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 and expendable trust funds 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.

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

Basis of accounting refers to when revenues and expenditures 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, expendable trust, and agency funds.

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

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

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2002, and delinquent property taxes, whose availability is indeterminable, and which are intended to finance fiscal year 2003 operations, have been 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 the governmental funds.

The proprietary fund types and nonexpendable trust funds utilize the accrual basis of accounting for reporting purposes. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations 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 fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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 Wood County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2002.

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 level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriate resolutions, 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 must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The budget figures that appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances:

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

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.

Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled in central bank accounts. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet.

During fiscal year 2002, investments were limited to STAROhio, US Treasury notes, federal agency securities, commercial paper and certificates of deposit. Investments are reported at their fair value, which is based on quoted market prices and changes in the fair value are reported in the operating statement. At June 30, 2002, the fair value of investments approximates cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2002. 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.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund, during fiscal year 2002 amounted to \$335,976 including amounts assigned from other funds.

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

Inventory

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

Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Interest costs incurred during construction of general fixed assets is not capitalized. Donated fixed assets are recorded at their fair values as of the date received. The School District maintains a capitalization threshold of \$500 and does not possess 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. However, improvements are capitalized.

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 years.

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. 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 proprietary funds, the entire amount of compensated absences is reported as a fund liability.

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 fiscal year-end are considered not to have used current available financial resources. Bonds and long-term loans are reported as a liability of the general long-term obligations account group until due.

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

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.

Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. A corresponding fund balance reserve has also been established.

Estimates

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

Fund Balance Reserves

The School District records reservations for portions of fund equity that are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balances indicates that portion of fund equity that is available for appropriation in future periods. Fund equity reserves are established for encumbrances, prepayments, endowment, property tax advances, and budget stabilization set-asides. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statutes. The reserve for budget stabilization represents money set-aside to protect against cyclical changes in revenues and expenditures.

Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total - (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.

2. ACCOUNTABILITY/PRIOR PERIOD ADJUSTMENT

Deficit Fund Balances

At June 30, 2002, the Education Management Information System and Title I special revenue funds have deficit fund balances of \$2,403 and \$3,445, respectively. Also, the Community Education enterprise fund has retained earnings deficits of \$13,358. These deficit balances were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Prior Period Adjustments

During the year ended June 30, 2002, the School District contracted with an appraisal company to prepare a complete record of all School District property and equipment. Based on this process, it was determined that the net book value of the Food Service enterprise fund's property and equipment at June 30, 2001 was \$767,376 but had been previously reported as \$106,453. Thus, property and equipment was understated by \$660,923. The correction of this error results in a increase in the retained earnings of enterprise funds in the amount of \$660,923. Thus, retained earnings for enterprise funds have been restated as of June 30, 2001 from \$72,462 to \$733,385.

In addition, it was determined that property and equipment in the General Fixed Asset Account Group was understated at June 30, 2001 by \$6,270,051 and should have been reported as \$63,996,875 rather than \$57,726,824.

3. BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Proceeds from and principal payments on bond anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

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 Expendable Trust Funds

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	\$ (3,872,773)	23,713	348,049	(5,651,729)	(13,813)
Revenue					
Accruals	(214,869)	(80,265)	(463,633)	(101,560)	-
Expenditure					
Accruals	110,201	8,863	-	(2,574,186)	(22)
Other Sources					
and Uses	(12,945)	20,076	-	-	-
Encumbrances	(298,056)	(129,763)	-	(360,309)	(713)
Budget Basis	\$ <u>(4,288,442)</u>	<u>(157,376)</u>	<u>(115,584)</u>	<u>(8,687,784)</u>	<u>(14,548)</u>

4. DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts. Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution. Interim monies are permitted to be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by the federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments described in this division are made through eligible institutions;
6. The State Treasurer's investment pool (STAROhio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed 25% of the interim monies available for investment at any one time.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made 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 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits: At year-end, the carrying amount of the School District's deposits was \$1,998,926 and the bank balance was \$2,583,005. Of the bank balance, \$400,000 was covered by federal depository insurance and \$2,183,005 was uninsured and uncollateralized.

Investments: The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counter party's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not in the School District's name. The School District's investment in STAROhio is unclassified because it is not evidenced by securities that exist in physical or book entry form. The School District's investment in STAROhio had a fair value of \$2,393,004 at June 30, 2002.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ <u>Deposits</u> <u>Investments</u>	
GASB Statement No. 9	\$ 4,091,930	300,000
Investments:		
Star Ohio	(2,393,004)	2,393,004
Cash equivalents:		
Certificate of deposit	<u>300,000</u>	<u>(300,000)</u>
GASB Statement No. 3	\$ <u>1,998,926</u>	<u>2,393,004</u>

5. INCOME TAXES

In 1991, the voters of the School District passed a .5% school income tax on wages earned by residents of the School District. The taxes are collected by the State Department of Taxation in the same manner as the state income tax. In the year ended June 30, 2002, the School District recorded income tax revenue of \$3,743,318 in the General Fund, of which \$1,427,656 is recorded as a receivable at June 30, 2002.

6. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Wood County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 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. Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes, which became measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current 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 assessed values upon which fiscal year 2002 taxes were collected are:

	<u>2001 Second- Half Collections</u>		<u>2002 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Residential/Agricultural	\$ 453,771,360	72.82%	463,568,600	73.58%
Commercial/Industrial	101,955,800	16.36%	105,198,190	16.70%
Public Utility Personal Property	17,597,610	2.82%	11,507,100	1.83%
General Personal Property	<u>49,853,282</u>	8.00%	<u>49,728,176</u>	7.89%
Total Assessed Value	\$ <u>623,178,052</u>	100.00%	<u>630,002,066</u>	100.00%
Tax rate per \$1,000 of assessed valuation		\$61.00		\$60.60

7. FIXED ASSETS

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

	<u>Enterprise</u>
Furniture and equipment	\$ 1,150,548
Less accumulated depreciation	<u>450,494</u>
Net fixed assets	\$ <u>700,054</u>

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

<u>Asset Category</u>	<u>Balance at 7/1/2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/2002</u>
Land	\$ 1,043,788	-	-	1,043,788
Land improvements	2,687,067	336,970	-	3,024,037
Buildings and improvements	19,964,179	37,792,720	-	57,756,899
Furniture and equipment	7,724,606	136,918	-	7,861,524
Vehicles	1,654,855	240,666	-	1,895,521
Construction in progress	<u>30,922,380</u>	<u>6,870,340</u>	<u>(37,792,720)</u>	-
Total general fixed assets	\$ <u>63,996,875</u>	<u>45,377,614</u>	<u>(37,792,720)</u>	<u>71,581,769</u>

8. INTERFUND TRANSACTIONS

Interfund balances at June 30, 2002, consist of the following interfund loans:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 35,199	-
Special Revenue Funds:		
Other Grant Fund	-	8,823
Athletic Fund	-	1,641
Professional Development Fund	-	800
Title VI Fund	-	10,089
Safe and Drug Free Schools Fund	-	581
Enterprise Fund:		
Community Education Fund	-	<u>13,265</u>
	\$ <u>35,199</u>	<u>35,199</u>

9. RISK MANAGEMENT

The School District maintains comprehensive insurance with private carriers for real property, building contents, vehicles and general liability insurance. Vehicle policies include liability coverage for bodily injury and property damage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage from last year.

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). The GRP is intended to reduce the School District's premium by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

10. DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

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

Plan members are required to contribute 9% of their annual covered salary and the School District is required to contribute at an actuarially determined rate, which is currently 14% of annual covered payroll. 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 School District's required contributions to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were approximately \$613,000, \$499,000 and \$465,000 respectively; 40% has been contributed for fiscal year 2002 and 100% for fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds and the general long-term obligations account group.

State Teachers Retirement System

The School 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 basis retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issued a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3% of their annual covered salary and the School District is required to contribute 14%. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The School District's required contributions for pension obligations to STRS for the years ended June 30, 2002, 2001, and 2000 were \$2,329,000, \$2,212,000 and \$2,070,000 respectively; 83% has been contributed for fiscal year 2002 and 100% for fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds.

Social Security System

All employees not covered by SERS or STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2002, members of the Board of Education have elected social security. The Board's liability is 6.2% of wages paid.

11. POSTEMPLOYMENT BENEFITS

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

STRS has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For the year ended June 30, 2002, the board allocated employer contributions equal to 4.50% of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled approximately \$749,000 during fiscal year 2002. STRS pays health care benefits from the Health Care Reserve Fund. The balance in the fund was \$3.256 billion at June 30, 2001. For the year ended June 30, 2001, net health care costs paid by STRS were \$300.8 million and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, 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% of the premium. For this fiscal year, employer contributions to fund health care benefits were 9.80% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. The surcharge rate added to the unallocated portion of the 14% employer contribution rate provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care for the year ended June 30, 2001 were \$161.4 million and the target level was \$242.2 million. At June 30, 2001, SERS' net assets available for payment of health care benefits was \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the School District, this amount to fund health care benefits, including the surcharge, equaled approximately \$429,000 during the 2002 fiscal year.

12. EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees, with one or more years of service, 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.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service. Sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement varies by classification. Certified and non-certified staff entitled to receive four days per year for each of the last ten years of School District service, plus an additional four days are added for each year in the last four years before retirement in which the teacher completed the year with their maximum days of accumulated but unused sick leave. Administrative staff is entitled to the greater of 72 days or to receive four days per year for each of the last four years of School District service, plus one-fourth of their total accumulated sick leave.

13. LONG-TERM OBLIGATIONS

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

	Principal Outstanding <u>7/1/01</u>	<u>Additions</u>	<u>Deletions</u>	Principal Outstanding <u>6/30/02</u>
General obligation bonds	\$ 44,790,000	-	(1,480,000)	43,310,000
Pension obligation	150,818	182,450	(150,818)	182,450
Compensated absences	<u>3,055,587</u>	<u>296,720</u>	<u>-</u>	<u>3,352,307</u>
Total general long-term obligations	\$ <u>47,996,405</u>	<u>479,170</u>	<u>(1,630,818)</u>	<u>46,844,757</u>

General Obligation Bonds – These consist of three separate bond issues. Bonds issued in August 1992 at an interest rate of 4.9% with \$6,895,000 outstanding mature in December 2015. In February 1999, the School District issued \$3,000,000 of bonds at an interest rate of 5.18%, of which, \$2,700,000 is outstanding at June 30, 2002 and will fully mature in December 2025. Finally, the School District issued \$36,300,000 of bonds in April 1999 at an interest rate of 4.98%, of which, at June 30, 2002, \$33,715,000 is outstanding and will fully mature in December 2025. The School District's voted legal debt margin was \$13,390,186 with an unvoted debt margin of \$630,002 at June 30, 2002. Principal and interest requirements to retire general obligation debt outstanding at June 30, 2002, are:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 1,640,000	2,135,158	3,775,158
2004	1,810,000	2,069,508	3,879,508
2005	1,990,000	1,986,344	3,976,344
2006	2,200,000	1,887,630	4,087,630
2007	990,000	1,813,251	2,803,251
2008-2012	6,985,000	8,164,959	15,149,959
2013-2017	9,965,000	5,763,628	15,728,628
2018-2022	8,210,000	3,507,184	11,717,184
2023-2026	<u>9,520,000</u>	<u>1,022,900</u>	<u>10,542,900</u>
Total	\$ <u>43,310,000</u>	<u>28,350,562</u>	<u>71,660,562</u>

14. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains three enterprise funds to account for the operations of food services, uniform school supplies and community education. The table below reflects in a summarized format the more significant financial data relating to these funds as of and for the year ended June 30, 2002.

		Food Services	Uniform School Supply	Community Education	Total
Operating revenue	\$	1,172,007	205,174	-	1,377,181
Operating expenses before depreciation		1,358,697	228,592	583	1,587,872
Depreciation		67,322	-	-	67,322
Operating income (loss)		(254,012)	(23,418)	(583)	(278,013)
Donated commodities		52,677	-	-	52,677
Operating grants		97,613	-	-	97,613
Interest income		14	-	-	14
Net loss before operating transfers		(103,708)	(23,418)	(583)	(127,709)
Net operating transfers		-	-	604	604
Net loss (income)		(103,708)	(23,418)	21	(127,105)
Net working capital		(156,022)	75,606	(13,358)	(93,774)
Total assets		718,050	77,997	-	796,047
Total equity		544,032	75,606	(13,358)	606,280
Encumbrances at June 30, 2002	\$	-	29,101	-	29,101

15. JOINTLY GOVERNED ORGANIZATIONS

Northern Ohio Education Computer Association

The Northern Ohio Education Computer Association (NOECA) is a jointly governed organization among a seven-county consortium of school districts. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The Board of NOECA consists of one representative from each of the participating members. The School District paid approximately \$30,000 for services provided during the fiscal year. Complete financial statements for NOECA can be obtained at 2900 S. Columbus Avenue, Sandusky, Ohio 44870.

Penta Joint Vocational School District

Penta Joint Vocational School District (Penta), a jointly governed organization, 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 district's elected board. The Board possesses its own budgeting and taxing authority as a separate body politic and corporate, established by the Ohio Revised Code. Penta was formed for the purpose of providing vocational education opportunities to the students of the member school districts, including the students of the School District. The School District has no ongoing financial interest in nor responsibility for Penta. To obtain financial information, write to Penta, at 30095 Oregon Road, Perrysburg, Ohio 43551.

16. INSURANCE PURCHASING POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The Wood County Schools Benefit Plan

The Wood County Schools Benefit Plan (the Plan), an insurance purchasing pool, currently operates as a common risk management and insurance program for 10 member school districts. It was formed to provide affordable and desirable dental, life, medical, and other disability group insurance for member's employees, eligible dependents and designated beneficiaries of such employees. The Board of Directors consists of one representative from each of the participating members. The School District pays annual premiums to the Plan, which in turns buys the insurance policies from various insurance companies. Upon termination, the School District shall be responsible for prompt payment of all plan liabilities accruing as a result of such termination and maintain no right to any assets of the Plan. The School District may terminate participation in the Plan for the benefit of its employees upon written notice to the Plan.

17. CONTINGENCIES

Grants

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

Litigation

The School District is party to legal proceedings. The School District is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

18. REQUIRED SET-ASIDES

The School District is required by State Statute to annually set aside in the general fund an amount based on the 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. Effective April 10, 2001, the School District could choose to eliminate the budget stabilization reserve except for the amounts related to Workers Compensation rebates. The Board approved a resolution to eliminate those amounts of the reserve for budget stabilization.

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>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside balance as of June 30, 2001	\$	(538,401)	-	137,211
Current year set-aside requirement		498,734	498,734	-
Less qualifying disbursements and offsets		<u>(613,178)</u>	<u>(614,059)</u>	<u>-</u>
Total		<u>(652,845)</u>	<u>(115,325)</u>	<u>137,211</u>
Balance carried to FY2003		<u>(652,845)</u>	<u>-</u>	<u>137,211</u>
Cash balance as of June 30, 2002	\$	<u>-</u>	<u>-</u>	<u>137,211</u>

Since the School District had offsets and qualifying disbursements during the year that reduced the set aside amount for textbooks and instructional materials to below zero, these extra amounts may be used to reduce the set aside requirements of future years. However, since the excess qualifying disbursements of the capital improvement set-aside may not be used to reduce the capital improvement set aside requirements of future years, only disbursements equaling the set-aside have been presented in the table above.

19. SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest 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.

On December 11, 2002, the Supreme Court found the state's school funding system unconstitutional but declined to retain jurisdiction of the matter meaning the decision included no timeline for compliance or accountability for lack of compliance.

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

PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

Schedule of Prior Audit Findings

Year Ended June 30, 2002

The prior audit disclosed no instances of noncompliance with requirements of major federal programs. In addition, no reportable conditions or material weaknesses with respect to internal controls over compliance with requirements that could have a direct and material effect on a major federal program were reported in the prior year.

PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2002

<u>Federal Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture:</u>				
(Passed through Ohio Department of Education)				
Nutrition Cluster:				
Food Distribution Program	03-PU	10.550	\$ 53,427	53,427
National School Lunch Program	04-PU	10.555	<u>110,294</u>	<u>110,294</u>
Total U.S. Department of Agriculture			<u>163,721</u>	<u>163,721</u>
 <u>U.S. Department of Education:</u>				
(Passed through Ohio Department of Education)				
Title I Grant	C1-S0	84.010	101,841	102,265
Title VI-B Grant	6B-SF	84.027	176,335	165,684
Safe and Drug Free Schools	DR-S1	84.186	15,896	13,832
Eisenhower Professional Development Grant	MS-S1	84.281	14,242	10,856
Innovative Education Program Strategy	C2-S1	84.298	8,987	23,901
Class Size Reduction	CR-S1	84.340	<u>49,858</u>	<u>46,966</u>
Total U.S. Department of Education			<u>367,159</u>	<u>363,504</u>
Total Federal Awards			\$ <u>530,880</u>	<u>527,225</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

NOTE C - MATCHING REQUIREMENTS

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

Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

**REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education
Perrysburg Exempted Village School District:

We have audited the financial statements of Perrysburg Exempted Village School District as of and for the year ended June 30, 2002, and have issued our report thereon dated October 31, 2002, except for Note 19, as to which the date is December 11, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 Perrysburg Exempted Village School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are presented in the accompanying schedule of findings and questioned costs as items 2002-1 and 2002-2.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Perrysburg Exempted Village School 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 operations that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Education, management, 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.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
October 31, 2002
except for Note 19, as to
which the date is
December 11, 2002

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education
Perrysburg Exempted Village School District:

Compliance

We have audited the compliance of Perrysburg Exempted Village School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. Perrysburg Exempted Village School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Perrysburg Exempted Village School District's management. Our responsibility is to express an opinion on Perrysburg Exempted Village School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Perrysburg Exempted Village School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Perrysburg Exempted Village School District's compliance with those requirements.

In our opinion, Perrysburg Exempted Village School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

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

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

This report is intended solely for the information and use of the Board of Education, management, 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.

Chuck, Schaefer, Hackett & Co.

Cincinnati, Ohio
October 31, 2002
except for Note 19, as to
which the date is
December 11, 2002

PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2002

Section I - Summary of Auditors' Results

Financial Statements

Type of report issued on financial statements:	unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	none
Reportable condition(s) identified not considered to be material weaknesses?	none
Noncompliance material to financial statements noted?	yes

Federal Awards

Internal Control over major programs:	
Material weakness(es) identified?	none
Reportable condition(s) identified not considered to be material weaknesses?	none
Type of auditors' report issued on compliance for major programs:	unqualified
Any audit findings that are required to be reported in accordance with Circular A-133, Section .510(a)?	none
Identification of major programs:	
CFDA 84.027 ESEA Title VI-B	
Dollar threshold to distinguish between Type A and Type B Programs:	\$300,000
Auditee qualified as low-risk auditee?	yes

Section II - Financial Statement Findings

- 2002-1 Ohio Revised Code Section 5705.34, states that each taxing authority is to pass a resolution to authorize the necessary tax levies and certify this information to the county auditor before April 1st (deadline for school districts). The School District did not pass the required resolution by the April 1st deadline.

- 2002-2 Ohio Revised Code Section 5705.38, states that a school district shall pass an annual appropriations measurement by the first day of October. The School District did not pass the required resolution by the October 1st deadline.

PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2002

(Continued)

Section III - Federal Award Findings and Questioned Costs

None



**Auditor of State
Betty Montgomery**

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PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

WOOD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 4, 2003**