



**Auditor of State  
Betty Montgomery**



**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Perkins Local School District, Erie County, Ohio (the District), as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Perkins Local School District, Erie County, Ohio, as of June 30, 2003, and the respective changes in financial position, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis— for State and Local Governments*. As described in Note 8, during the year ended June 30, 2003, the District modified the capitalization threshold for capital assets.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussions and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is 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 basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Betty Montgomery**  
Auditor of State

January 9, 2004

**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
UNAUDITED

The discussion and analysis of the Perkins Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2003 are as follows:

- In total, net assets of governmental activities decreased \$451,137 which represents an 11.64 percent decrease from 2002.
- General revenues accounted for \$18,307,331 in revenue or 91.24 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,756,858 or 8.76 percent of total revenues of \$20,064,189.
- The District had \$20,515,326 in expenses related to governmental activities; only \$1,756,858 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$18,307,331 were not adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$17,902,528 in revenues and other financing sources and \$18,262,281 in expenditures and other financing uses. During fiscal 2003, the general fund's fund balance decreased \$359,753 from \$1,381,408 to \$1,026,349.

**Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund is by far the most significant fund, and the only governmental fund reported as a major fund.

**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
UNAUDITED

**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2003?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance, pupil transportation central, operation of non-instructional services, extracurricular activities, and food service operations and interest and fiscal charges.

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

The analysis of the District's major governmental fund begins on page 10. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual basis of accounting*, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements.

**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
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***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**The District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the District as a whole. This is the first year for government-wide financial statements using the full accrual basis of accounting, therefore a comparison with prior years is not available. A comparative analysis will be provided in future years when prior year information is available.

The table below provides a summary of the District's net assets for 2003.

	<u>Net Assets</u>
	Governmental Activities <u>2003</u>
<b><u>Assets</u></b>	
Current and other assets	\$ 14,632,625
Capital assets	<u>2,966,979</u>
<i>Total assets</i>	<u>17,599,604</u>
<b><u>Liabilities</u></b>	
Current liabilities	12,470,804
Long-term liabilities	<u>1,704,951</u>
<i>Total liabilities</i>	<u>14,175,755</u>
<b><u>Net Assets</u></b>	
Invested in capital assets, net of related debt	2,546,979
Restricted	20,856
Unrestricted	<u>856,014</u>
<i>Total net assets</i>	<u>\$ 3,423,849</u>

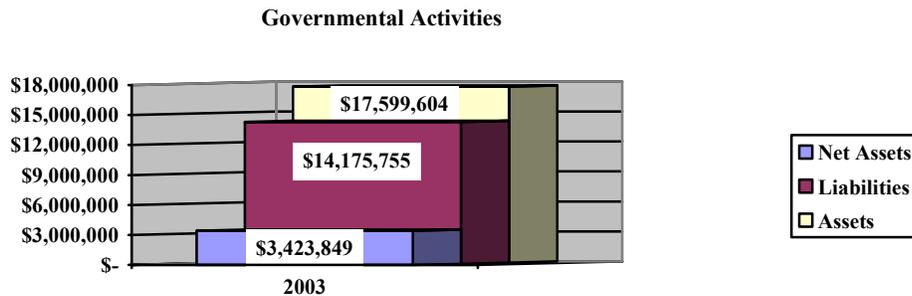
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2003, the District's assets exceeded liabilities by \$3,423,849.

**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
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At year-end, capital assets represented 16.86 percent of total assets. Capital assets include land, land improvements, buildings and improvements, furniture, fixtures and equipment, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at June 30, 2003, were \$2,546,979. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$16,353, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$860,517 may be used to meet the District's ongoing obligations to the students and creditors.



The table below shows the change in net assets for fiscal year 2003. Since this is the first year the District has prepared government-wide financial statements using the full accrual basis of accounting, revenue and expense comparisons to fiscal year 2002 are not available. A comparative analysis will be provided in future years when prior year information is available.

	<b>Change in Net Assets</b>
	Governmental Activities 2003
<b><u>Revenues</u></b>	
Program revenues:	
Charges for services and sales	\$ 917,939
Operating grants and contributions	804,507
Capital grants and contributions	34,412
General revenues:	
Property taxes	12,934,373
Grants and entitlements	5,260,272
Investment earnings	51,481
Other	61,205
<i>Total revenues</i>	20,064,189

**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
UNAUDITED

	<b>Change in Net Assets</b>
	Governmental Activities 2003
<b><u>Expenses</u></b>	
Program expenses:	
Instruction:	
Regular	\$ 8,149,977
Special	2,261,318
Vocational	442,345
Other	75,047
Support services:	
Pupil	1,475,641
Instructional staff	1,305,548
Board of education	62,029
Administration	1,407,798
Fiscal	542,588
Business	69,827
Operations and maintenance	2,180,138
Pupil transportation	820,047
Central	33,786
Operations of non-instructional services	67,970
Food service operations	819,210
Extracurricular activities	779,748
Interest and fiscal charges	22,309
	<u>20,515,326</u>
<i>Total expenses</i>	<u>20,515,326</u>
<i>Decrease in net assets</i>	<u>\$ (451,137)</u>

**Governmental Activities**

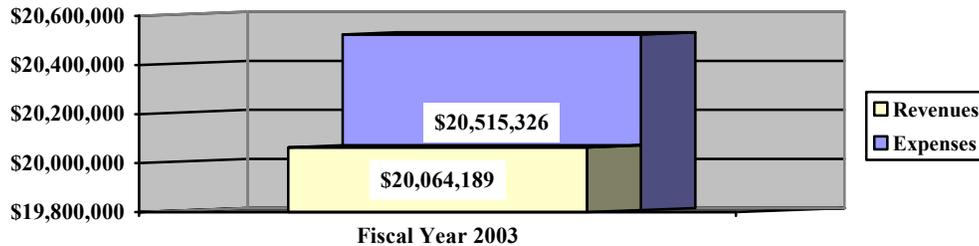
Net assets of the District's governmental activities decreased by \$451,137. Total governmental expenses of \$20,515,326 were offset by program revenues of \$1,756,858 and general revenues of \$18,307,331. Program revenues supported 8.56 percent of the total governmental expenses. Overall, the decrease in net assets is due to an increase in expenses which exceeded the increase in revenues. Increases in expenses are related to increases in salaries and severance payments for retired employees.

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2003.

**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
UNAUDITED

**Governmental Activities - Revenues and Expenses**



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. Comparisons to 2002 have not been presented since they are not available.

**Governmental Activities**

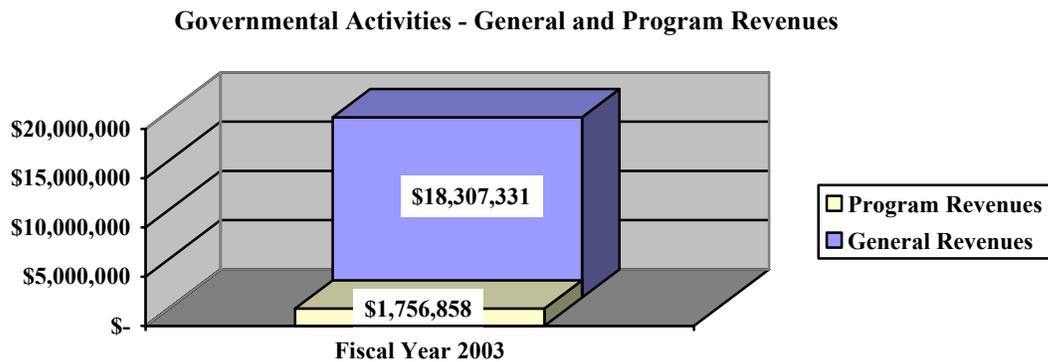
	Total Cost of Services <u>2003</u>	Net Cost of Services <u>2003</u>
<b>Program expenses</b>		
Instruction:		
Regular	\$ 8,149,977	\$ (7,898,159)
Special	2,261,318	(2,112,731)
Vocational	442,345	(442,345)
Other	75,047	(75,047)
Support services:		
Pupil	1,475,641	(1,412,811)
Instructional staff	1,305,548	(1,047,271)
Board of education	62,029	(62,029)
Administration	1,407,798	(1,373,213)
Fiscal	542,588	(542,588)
Business	69,827	(66,016)
Operations and maintenance	2,180,138	(2,180,138)
Pupil transportation	820,047	(820,042)
Central	33,786	(19,786)
Operations of non-instructional services	67,970	3,914
Food service operations	819,210	(50,424)
Extracurricular activities	779,748	(637,468)
Interest and fiscal charges	22,309	(22,309)
<b>Total expenses</b>	<u>\$ 20,515,326</u>	<u>\$ (18,758,463)</u>

**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
UNAUDITED

The dependence upon tax and other general revenues for governmental activities is apparent, 96.34 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 89.24 percent. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2003.



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$1,423,014, which is lower than last year's total of \$1,895,468. The June 30, 2002 fund balances have been restated as described in Note 3.A to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2003 and 2002.

	Fund Balance <u>June 30, 2003</u>	Restated Fund Balance <u>June 30, 2002</u>	Increase (Decrease)
General	\$ 1,026,349	\$ 1,381,408	\$ (355,059)
Other Governmental	<u>396,665</u>	<u>514,060</u>	<u>(117,395)</u>
<i>Total</i>	<u>\$ 1,423,014</u>	<u>\$ 1,895,468</u>	<u>\$ (472,454)</u>

**General Fund**

The District's general fund balance decreased by \$355,059 (after a restatement to the June 30, 2002, fund balance which is detailed in Note 3.A. to the basic financial statements). This decrease is due to a larger increase in expenditures than in revenues. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
UNAUDITED

	2003 <u>Amount</u>	Restated 2002 <u>Amount</u>	Percentage <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 12,418,876	\$ 11,766,721	5.54%
Tuition	59,851	56,947	5.10
Earnings on investments	48,636	109,412	(55.55)
Intergovernmental	5,202,324	5,226,762	(0.47)
Other revenues	<u>172,686</u>	<u>115,783</u>	<u>49.15</u>
<i>Total</i>	<u>\$ 17,902,373</u>	<u>\$ 17,275,625</u>	3.63%
<b><u>Expenditures</u></b>			
Instruction	\$ 10,289,210	\$ 9,706,392	6.00%
Support services	7,259,310	7,077,208	2.57
Operation of non-instructional services	3,734	3,517	6.17
Extracurricular activities	597,559	545,208	9.60
Facilities acquisition and construction	<u>518</u>	<u>95,281</u>	<u>(99.46)</u>
<i>Total</i>	<u>\$ 18,150,331</u>	<u>\$ 17,427,606</u>	4.15%

***General Fund Budgeting Highlights***

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal 2003, the District amended its general fund budget several times. For the general fund, final budgeted revenues were \$18,128,906, which approximates the original budgeted revenues estimate of \$17,800,953. Actual revenues and other financing sources for fiscal 2003 was \$17,550,155. Total actual revenues are \$578,751 less than the final budgeted revenues. This difference is primarily due to the District budgeting for funds transferred into the General fund for budget stabilization, however, all of this activity occurred in the General fund, therefore the amounts transferred were eliminated for reporting purposes.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$18,849,416 were increased to \$19,514,411 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2003 totaled \$18,389,485, which was \$1,124,926 less than the final budget appropriations primarily because salary costs proved to be lower than anticipated in the original budget and the elimination of the transfer out, for budget stabilization described above.

**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
UNAUDITED

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2003, the District had \$2,966,979 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2003 balances compared to 2002, which has been restated due to a change in threshold from \$500 to \$2,500 and reclassification of the food service fund:

**Capital Assets at June 30  
(Net of Depreciation)**

	Governmental Activities	
	2003	2002
Land	\$ 316,850	\$ 316,850
Land improvements	7,945	31,968
Building and improvements	1,930,409	2,135,459
Furniture and equipment	497,931	294,845
Vehicles	213,844	344,557
Infrastructure	-	53,151
<i>Total</i>	<u>\$ 2,966,979</u>	<u>\$ 3,176,830</u>

The primary source for additions occurred in furniture and equipment which included computers, lockers, cafeteria equipment and other equipment. The District also acquired \$122,004 in new vehicles during fiscal 2003. Total additions to capital assets for 2003 were \$488,139 and total disposals were \$16,006 (net of accumulated depreciation). The overall decrease in capital assets of \$209,851 is primarily due to the recording of \$681,984 in depreciation expense for fiscal 2003.

***Debt Administration***

At June 30, 2003, the District had \$420,000 in energy conservation notes outstanding. Of this total, \$140,000 is due within one year and \$280,000 is due within greater than one year. The following table summarizes the bonds and notes outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities	Governmental Activities
	2003	2002
Energy conservation	\$ 420,000	\$ 560,000
<i>Total</i>	<u>\$ 420,000</u>	<u>\$ 560,000</u>

**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
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The energy conservation notes are scheduled to mature in fiscal year 2006 and bear an interest rate of 5.50 percent. Payment of principal and interest on the tax anticipation note is being made from General Fund monies transferred to the Debt Service Fund.

At June 30, 2003, the District's overall legal debt margin was \$31,261,323 with an unvoted debt margin of \$347,261 and energy conservation debt margin of \$2,705,353.

**Current Financial Related Activity**

The District faces financial challenges currently and will need to make significant budget cuts in the future. In November 2003, the District's levy for 4.9 mils failed. The District will need to reduce expenditures by \$750,000 in fiscal year ending June 30, 2005, in order to balance the budget. These cuts will be made to salaries and benefits. The District will put a 6.9 mil levy on the ballot in March of 2004 which should generate \$1.1 million in revenue for the District. However, if this levy fails the District will need to reduce expenditures by an additional \$1.1 million in salaries and benefits.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. William Haggerty, Treasurer, Perkins Local School District, 1210 East Bogart Road, Sandusky, Ohio 44870.

**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

STATEMENT OF NET ASSETS  
JUNE 30, 2003

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents	\$ 2,617,525
Cash with fiscal agent	1,770
Receivables:	
Taxes	11,786,233
Accounts	26,113
Intergovernmental	42,651
Accrued interest	172
Prepayments	66,644
Materials and supplies inventory	91,517
Capital assets:	
Land	316,850
Depreciable capital assets, net	2,650,129
Total capital assets	2,966,979
<i>Total assets</i>	17,599,604
<b>Liabilities:</b>	
Accounts payable	50,304
Accrued wages and benefits	1,908,543
Pension obligation payable	446,411
Intergovernmental payable	49,916
Deferred revenue	9,999,937
Accrued interest payable	13,923
Matured bonds payable	1,770
Long-term liabilities:	
Due within one year	305,738
Due within more than one year	1,399,213
<i>Total liabilities</i>	14,175,755
<b>Net Assets:</b>	
Invested in capital assets, net of related debt	2,546,979
Restricted for:	
Capital projects	4,503
Other purposes	16,353
Unrestricted	856,014
<i>Total net assets</i>	\$ 3,423,849

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>Expenses</u>
<b>Governmental activities:</b>	
Instruction:	
Regular	\$ 8,149,977
Special	2,261,318
Vocational	442,345
Other	75,047
Support services:	
Pupil	1,475,641
Instructional staff	1,305,548
Board of education	62,029
Administration	1,407,798
Fiscal	542,588
Business	69,827
Operations and maintenance	2,180,138
Pupil transportation	820,047
Central	33,786
Operation of non-instructional services	67,970
Extracurricular activities	779,748
Food service operations	819,210
Interest and fiscal charges	22,309
	<hr/>
<i>Totals</i>	<u>\$ 20,515,326</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

	Program Revenues			Net (Expense)
	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
\$	169,836	\$ 81,982	\$ -	\$ (7,898,159)
	-	148,587	-	(2,112,731)
	-	-	-	(442,345)
	-	-	-	(75,047)
	-	28,418	34,412	(1,412,811)
	-	258,277	-	(1,047,271)
	-	-	-	(62,029)
	26,161	8,424	-	(1,373,213)
	-	-	-	(542,588)
	-	3,811	-	(66,016)
	-	-	-	(2,180,138)
	-	-	-	(820,047)
	-	14,000	-	(19,786)
	-	71,884	-	3,914
	134,291	7,989	-	(637,468)
	587,651	181,135	-	(50,424)
	-	-	-	(22,309)
<b>\$</b>	<b>917,939</b>	<b>\$ 804,507</b>	<b>\$ 34,412</b>	<b>(18,758,468)</b>

**General Revenues:**

Property taxes levied for:

General purposes

12,469,635

Capital projects

464,738

Grants and entitlements not restricted  
to specific programs

5,260,272

Investment earnings

51,481

Miscellaneous

61,205

*Total general revenues*

18,307,331

Change in net assets

(451,137)

*Net assets at beginning of year (restated)*

3,874,986

*Net assets at end of year*

\$ 3,423,849

**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2003

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents	\$ 2,096,145	\$ 521,380	\$ 2,617,525
Cash with fiscal agent	-	1,770	1,770
Receivables:			
Taxes	11,358,535	427,698	11,786,233
Accounts	25,797	316	26,113
Intergovernmental	-	42,651	42,651
Accrued interest	172	-	172
Interfund loans	80,000	-	80,000
Prepayments	66,644	-	66,644
Materials and supplies inventory	60,002	31,515	91,517
<i>Total assets</i>	<u>\$ 13,687,295</u>	<u>\$ 1,025,330</u>	<u>\$ 14,712,625</u>
<b>Liabilities:</b>			
Accounts payable	\$ 46,784	\$ 3,520	\$ 50,304
Accrued wages and benefits	1,811,487	97,056	1,908,543
Compensated absences payable	135,064	-	135,064
Pension obligation payable	264,801	10,758	275,559
Intergovernmental payable	47,380	2,536	49,916
Interfund loan payable	-	80,000	80,000
Matured bonds payable	-	1,770	1,770
Deferred revenue	10,355,430	433,025	10,788,455
<i>Total liabilities</i>	<u>12,660,946</u>	<u>628,665</u>	<u>13,289,611</u>
<b>Fund Balances:</b>			
Reserved for encumbrances	132,475	22,374	154,849
Reserved for materials and supplies inventory	60,002	31,515	91,517
Reserved for property tax unavailable for appropriation	1,003,105	37,324	1,040,429
Reserved for prepayments	66,644	-	66,644
Unreserved, undesignated (deficit), reported in:			
General fund	(235,877)	-	(235,877)
Special revenue funds	-	356,542	356,542
Debt service fund	-	7,790	7,790
Capital projects funds	-	(58,880)	(58,880)
<i>Total fund balances</i>	<u>1,026,349</u>	<u>396,665</u>	<u>1,423,014</u>
<i>Total liabilities and fund balances</i>	<u>\$ 13,687,295</u>	<u>\$ 1,025,330</u>	<u>\$ 14,712,625</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2003

<b>Total governmental fund balances</b>		\$ 1,423,014
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		2,966,979
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 745,867	
Intergovernmental revenue	42,651	
Total		788,518
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.		
Energy conservation notes	420,000	
Compensated absences	1,149,887	
Pension obligation payable	170,852	
Accrued interest payable	13,923	
Total		(1,754,662)
<i>Net assets of governmental activities</i>		\$ 3,423,849

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Taxes	\$ 12,418,876	\$ 468,073	\$ 12,886,949
Tuition	59,851	-	59,851
Charges for services	-	587,651	587,651
Earnings on investments	48,636	2,845	51,481
Extracurricular	-	149,747	149,747
Other local revenues	172,686	95,082	267,768
Intergovernmental - State	5,202,324	132,738	5,335,062
Intergovernmental - Federal	-	560,482	560,482
<i>Total revenue</i>	<u>17,902,373</u>	<u>1,996,618</u>	<u>19,898,991</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	7,887,669	101,252	7,988,921
Special	1,889,004	350,555	2,239,559
Vocational	437,490	-	437,490
Other	75,047	-	75,047
Support Services:			
Pupil	1,210,356	283,821	1,494,177
Instructional staff	1,264,992	13,814	1,278,806
Board of education	47,139	8,838	55,977
Administration	1,279,212	119,649	1,398,861
Fiscal	544,156	10,227	554,383
Business	69,892	-	69,892
Operations and maintenance	2,019,056	2,076	2,021,132
Pupil transportation	819,382	-	819,382
Central	5,125	28,661	33,786
Food service operations	-	672,941	672,941
Operation of non-instructional services	3,734	60,768	64,502
Extracurricular activities	597,559	238,286	835,845
Facilities acquisition and construction	518	171,131	171,649
Debt service:			
Principal retirement	-	140,000	140,000
Interest and fiscal charges	-	26,950	26,950
<i>Total expenditures</i>	<u>18,150,331</u>	<u>2,228,969</u>	<u>20,379,300</u>
Excess of expenditures over revenues	<u>(247,958)</u>	<u>(232,351)</u>	<u>(480,309)</u>
<b>Other financing sources (uses):</b>			
Transfers in	-	251,950	251,950
Transfers (out)	(111,950)	(140,000)	(251,950)
Proceeds from sale of capital assets	155	-	155
Total other financing sources (uses)	<u>(111,795)</u>	<u>111,950</u>	<u>155</u>
<i>Net change in fund balances</i>	<u>(359,753)</u>	<u>(120,401)</u>	<u>(480,154)</u>
<i>Fund balances at beginning of year (restated)</i>	1,381,408	514,060	1,895,468
Increase in reserve for inventory	4,694	3,006	7,700
<i>Fund balances at end of year</i>	<u>\$ 1,026,349</u>	<u>\$ 396,665</u>	<u>\$ 1,423,014</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

<b>Net change in fund balances - total governmental funds</b>	\$ (480,154)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period.	(193,845)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.	(16,006)
Governmental funds report expenditures for inventory when purchased, however, in the statement of activities they are reported as an expense when consumed.	7,700
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	82,250
Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	140,000
In the statement of activities, interest is accrued on outstanding notes, whereas in governmental funds, an interest expenditure is reported when due.	4,641
Some expenses reported in the statement of activities, such as compensated absences, and pension obligations do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	4,277
	4,277
<i>Change in net assets of governmental activities</i>	\$ (451,137)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Taxes	\$ 11,798,869	\$ 12,068,045	\$ 12,068,045	\$ -
Tuition	62,176	62,851	62,851	-
Earnings on investments	12,197	12,329	12,329	-
Extracurricular	53,073	53,649	53,649	-
Other local revenues	142,566	144,113	148,415	4,302
Intergovernmental - State	5,146,477	5,202,324	5,202,324	-
<i>Total revenue</i>	<u>17,215,358</u>	<u>17,543,311</u>	<u>17,547,613</u>	<u>4,302</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	7,993,859	8,021,059	7,880,445	140,614
Special	1,923,172	2,013,172	1,884,548	128,624
Vocational	410,481	441,881	431,787	10,094
Other	51,207	76,677	76,667	10
Support Services:				
Pupil	1,374,154	1,493,864	1,246,299	247,565
Instructional staff	1,265,160	1,343,285	1,274,102	69,183
Board of education	57,612	58,672	36,160	22,512
Administration	1,336,505	1,343,990	1,259,535	84,455
Fiscal	539,230	549,680	530,237	19,443
Business	71,457	80,602	75,304	5,298
Operations and maintenance	2,110,448	2,189,488	2,088,246	101,242
Pupil transportation	809,170	869,090	828,171	40,919
Central	5,478	6,378	6,377	1
Operation of non-instructional services	3,513	3,613	3,605	8
Extracurricular activities	542,970	573,860	569,566	4,294
Facilities acquisition and construction	250,000	250,000	2,000	248,000
<i>Total expenditures</i>	<u>18,744,416</u>	<u>19,315,311</u>	<u>18,193,049</u>	<u>1,122,262</u>
<i>Excess of revenues over (under) expenditures</i>	<u>(1,529,058)</u>	<u>(1,772,000)</u>	<u>(645,436)</u>	<u>1,126,564</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure	2,387	2,387	2,387	-
Refund of prior year receipts	-	(100)	(100)	-
Transfers in	583,053	583,053	-	(583,053)
Transfers (out)	(105,000)	(117,000)	(116,336)	664
Advances in	-	-	-	-
Advances (out)	-	(80,000)	(80,000)	-
Proceeds from sale of capital assets	155	155	155	-
<i>Total other financing sources (uses)</i>	<u>480,595</u>	<u>388,495</u>	<u>(193,894)</u>	<u>(582,389)</u>
<i>Net change in fund balance</i>	<u>(1,048,463)</u>	<u>(1,383,505)</u>	<u>(839,330)</u>	<u>544,175</u>
<i>Fund balance at beginning of year</i>	2,460,296	2,460,296	2,460,296	-
Prior year encumbrances appropriated	322,634	322,634	322,634	-
<i>Fund balance at end of year</i>	<u>\$ 1,734,467</u>	<u>\$ 1,399,425</u>	<u>\$ 1,943,600</u>	<u>\$ 544,175</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2003

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents	\$ 111,423	\$ 162,487
Receivables:		
Taxes	-	252,437
Accounts	-	14
	111,423	414,938
<i>Total assets</i>		
	111,423	414,938
<b>Liabilities:</b>		
Intergovernmental payable	-	372,702
Due to students	-	42,236
	-	414,938
<i>Total liabilities</i>		
	-	\$ 414,938
<b>Net Assets:</b>		
Held in trust for scholarships	111,423	
<i>Total net assets</i>	\$ 111,423	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<b>Private Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest	\$ 1,541
Gifts and contributions	2,024
	3,565
<i>Total additions</i>	
<b>Deductions:</b>	
Scholarships awarded	3,400
	165
<i>Change in net assets</i>	
<i>Net assets at beginning of year</i>	111,258
<i>Net assets at end of year</i>	\$ 111,423

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

**1. DESCRIPTION OF THE SCHOOL DISTRICT**

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

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

The District is the 249<sup>th</sup> largest in the state of Ohio (among 740 public and community school districts) in terms of enrollment and the 3<sup>rd</sup> largest in Erie County. It currently operates two elementary schools, one middle school and one comprehensive high school. The District employs 97 non-certificated employees and 167 certificated (including administrative) employees to provide services to approximately 2,246 students and various community groups.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". The reporting entity is composed of the primary government, component units and other organization that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods service, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organizations resources; or (3)

**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Bay Area Council of Governments

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

Northern Ohio Educational Computer Association

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

PUBLIC ENTITY RISK POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers'

**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

Compensation Group Rating Plan (the Plan) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The Plan'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 Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

Huron-Erie School Employees Insurance Association

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

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the District's major governmental fund:

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

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds; (b) for food service operations; (c) for the accumulation of resources for, and the repayment of, long-term debt principal, interest and

**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

related costs; and (d) for grants and other resources whose use is restricted to a particular purpose.

**PROPRIETARY FUNDS**

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

**FIDUCIARY FUNDS**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities and the tax levy for the Sandusky Public Library.

**C. Basis of Presentation and Measurement Focus**

**Government-wide Financial Statements**

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

**Fund Financial Statements**

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type.

**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

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

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operation, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities received during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental 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. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

**E. Budgets**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund, function, object level for all funds. Any budgetary modifications at these levels 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

**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

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 Erie County Budget Commission for rate determination.

Estimated Resources

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commissions' Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as 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 District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended Certificate issued during the fiscal year.

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at any level of control. Any revisions that alter the fund, function, and object level 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. During the year, all supplemental appropriations were legally enacted.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budget amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations.

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The encumbered appropriation balance is carried forward to the succeeding year and is not re-appropriated.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year-end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 14 provides a reconciliation of the budgetary and GAAP basis of accounting and disclosure of the encumbrances outstanding for the General Fund at fiscal year-end.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements.

During fiscal year 2003, investments were limited to investments in the State Asset Treasury Reserve of Ohio (STAR Ohio).

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

Under existing Ohio statutes all investment earning are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$48,636, which includes \$8,268 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

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**G. Inventory**

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption, donated food, purchased food, and school supplies held for resale and are expensed when used. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

**H. Capital Assets**

General capital assets are those assets specifically related to governmental activities. These assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. For fiscal year 2003, the District has changed its capitalization threshold from \$500 to \$2,500 (See Note 8). Improvements are capitalized; 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.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives
Land improvements	5 - 20 years
Buildings and improvements	5 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 10 years

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column on the statement of net assets.

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**J. Compensated Absences**

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

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

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

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

The District, in collective bargaining agreements with employee labor unions, has agreed to pay classified employees (eligible to retire) a bonus based upon age and years of service. The amount of the bonus ranges from \$870 to \$5,160. Certified employees eligible to retire are also eligible for a bonus. The bonus is \$15,000 and depends upon age and years of service. Any employee who reaches 30 years of service must take advantage of the bonus (by retiring) or forfeit eligibility for the bonus.

**K. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in

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the fund financial statements only to the extent that they are due for payment during the current year. Notes are recognized as a liability on the fund financial statements when due.

**L. Fund Balance Reserves**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, supplies inventory, prepayments, and property taxes unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset on the fund financial statements.

**O. Estimates**

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

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**P. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basis financial statements.

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2003.

**3. ACCOUNTABILITY AND COMPLIANCE**

**A. Changes in Accounting Principles and Restatement of Fund Balance**

For fiscal year 2003, the District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedule - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At June 30, 2002, there was no effect on fund balance as a result of implementing GASB Statements 37, 38 and 41.

GASB No. 34 creates new basic financial statements for reporting on the District's financial activities. The basic financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38, modifies, establishes and rescinds certain financial statement note disclosures.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparisons for the general and each major special revenue fund.

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GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The government-wide financial statements show the District's programs for governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2002, caused by the conversion to the accrual basis of accounting.

Governmental Activities - Fund Reclassification and Restatement of Fund Balance

Certain funds have been reclassified to properly reflect their intended purpose in accordance with the Standards of GASB Statement No. 34. Certain funds previously reported as enterprise funds and expendable trust funds have been reclassified and are now part of the general fund and other nonmajor governmental funds. It was also determined that GASB Interpretation No. 6 had an effect on fund balance as previously reported at June 30, 2002.

The fund reclassification and the adjustments for the implementation of GASB Interpretation No. 6 had the following effect on the District's governmental fund balances as previously reported:

	General	Nonmajor	Total
Fund balance			
June 30, 2002	\$ 1,413,508	\$ 305,489	\$ 1,718,997
Fund reclassifications	-	208,571	208,571
Implementation of GASB			
Interpretation No. 6	(32,100)	-	(32,100)
Adjusted fund balance,			
June 30, 2002	\$ 1,381,408	\$ 514,060	\$ 1,895,468

The transition from governmental fund balance to net assets of the governmental activities is presented as follows:

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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	<u>Total</u>
Adjusted fund balance, June 30, 2002	\$ 1,895,468
GASB 34 adjustments:	
Long-term (deferred) assets	706,268
Capital assets	3,176,830
Accrued interest payable	(18,564)
Long-term liabilities	(1,885,016)
Governmental activities net assets, June 30, 2002	\$ 3,874,986

**B. Deficit Fund Balances**

Fund balances at June 30, 2003 included the following individual fund deficits:

	<u>Deficit</u>
<u>Nonmajor Funds</u>	
Management Information System	\$ 9,306
Title I	13,530
Class Size Reduction	21,347
Permanent Improvement	21,556

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances results from adjustments for accrued liabilities.

**4. EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of monies held by the District into three categories.

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 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 in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instrument rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Cash on hand: At fiscal year-end, the District had \$625 in undeposited cash on hand which is included on the combined balance sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents".

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

Deposits: At year-end, the carrying amount of the District's deposits was \$458,065 and the bank balance was \$752,723. Of the bank balance:

1. \$133,300 was covered by federal depository insurance or surety company bonds deposited with the District; and
2. \$619,423 was covered by uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name.

Collateral is required for demand deposits and certificates of deposit in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

Investments: The District's investments are categorized below to give an indication of the level of custodial credit risk assumed by the entity at fiscal year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name. Investments in STAR Ohio are not categorized as they are not evidenced by securities that exist in physical or book entry form.

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	<u>Fair Value</u>
Not subject to categorization:	
Investment in STAR Ohio	<u>\$ 2,434,515</u>

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$ 2,893,205	\$ -
Investments of the cash management pool:		
Investment in STAR Ohio	(2,434,515)	2,434,515
Cash on hand	(625)	-
GASB Statement No. 3	\$ 458,065	\$ 2,434,515

**5. INTERFUND TRANSACTIONS**

**A.** Interfund balances at June 30, 2003 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

Receivable Fund	Payable Fund	Amount
General	Permanent Improvement	\$ 80,000
Total		\$ 80,000

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2003 are reported on the statement of net assets.

**B.** Interfund transfers for the year ended June 30, 2003, consisted of the following, as reported on the fund financial statements:

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Transfers to Nonmajor Governmental funds from:	
General Fund	\$111,950
Transfers to Nonmajor funds from:	
Nonmajor funds	140,000

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

**6. PROPERTY TAXES**

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

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

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

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

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The District receives property taxes from Erie County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deterred revenue.

The amount available as an advance at June 30, 2003 was \$1,003,105 in the general fund, and \$37,324 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2002, was \$652,274 in the general fund, and \$25,401 in the Permanent Improvement capital projects fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

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

	<u>2002 Second Half Collections</u>		<u>2003 First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 279,755,070	81.19	\$ 283,057,180	81.51
Public utility personal	13,936,990	4.04	14,420,920	4.15
Tangible personal property	50,892,193	14.77	49,783,378	14.34
Total	<u>\$ 344,584,253</u>	<u>100.00</u>	<u>\$ 347,261,478</u>	<u>100.00</u>
 Tax rate per \$1,000 of assessed valuation	 \$ 65.65		 \$ 65.65	

**7. RECEIVABLES**

Receivables at June 30, 2003 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, internal loans and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

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<b>Governmental Activities</b>	
Property taxes	\$ 11,786,233
Accounts	26,113
Intergovernmental	42,651
Accrued interest	<u>172</u>
Total	<u>\$ 11,855,169</u>

Receivables have been disaggregated on the face of the basic finance statements. All receivables are expected to be collected within subsequent years.

**8 CAPITAL ASSETS**

A. The capital asset balances of the governmental activities have been restated due to a change in the District's capital asset policy (see Note 2.H.):

	Balance 06/30/02	Adjustments	Restated Balance 06/30/02
<b>Governmental Activities</b>			
<i>Capital assets, not being depreciated:</i>			
Land	\$ 316,850	\$ -	\$ 316,850
Total capital assets, not being depreciated	<u>316,850</u>	<u>-</u>	<u>316,850</u>
<i>Capital assets, being depreciated:</i>			
Land improvements	335,319	(8,138)	327,181
Building and improvements	9,970,714	(15,632)	9,955,082
Furniture and equipment	3,034,127	(1,826,534)	1,207,593
Vehicles	1,672,777	(1,500)	1,671,277
Infrastructure	<u>-</u>	<u>287,025</u>	<u>287,025</u>
Total capital assets, being depreciated	<u>15,012,937</u>	<u>(1,564,779)</u>	<u>13,448,158</u>
<i>Less: accumulated depreciation</i>	<u>-</u>	<u>(10,588,178)</u>	<u>(10,588,178)</u>
Governmental activities capital assets, net	<u>\$ 15,329,787</u>	<u>\$ (12,152,957)</u>	<u>\$ 3,176,830</u>

B. Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

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	Restated Balance <u>06/30/02</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/03</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 316,850	\$ -	\$ -	\$ 316,850
<i>Capital assets, being depreciated:</i>				
Land improvements	327,181	-	-	327,181
Building and improvements	9,955,082	53,679	-	10,008,761
Furniture and equipment	1,207,593	312,456	(45,239)	1,474,810
Vehicles	1,671,277	122,004	(103,797)	1,689,484
Infrastructure	<u>287,025</u>	<u>-</u>	<u>-</u>	<u>287,025</u>
Total capital assets, being depreciated	<u>13,448,158</u>	<u>488,139</u>	<u>(149,036)</u>	<u>13,787,261</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(295,213)	(24,023)	-	(319,236)
Building and improvements	(7,819,623)	(303,968)	45,239	(8,078,352)
Furniture and equipment	(912,748)	(151,922)	87,791	(976,879)
Vehicles	(1,326,720)	(148,920)	-	(1,475,640)
Infrastructure	<u>(233,874)</u>	<u>(53,151)</u>	<u>-</u>	<u>(287,025)</u>
Total accumulated depreciation	<u>(10,588,178)</u>	<u>(681,984)</u>	<u>133,030</u>	<u>(11,137,132)</u>
Governmental activities capital assets, net	<u>\$ 3,176,830</u>	<u>\$ (193,845)</u>	<u>\$ (16,006)</u>	<u>\$ 2,966,979</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 189,340
Special	17,459
Vocational	10,213
<u>Support Services:</u>	
Pupil	47,801
Instructional Staff	16,576
Administration	26,320
Fiscal	1,319
Operations and Maintenance	118,221
Pupil Transportation	133,539
Community Services	3,468
Extracurricular Activities	59,139
Food Service Operation	<u>58,589</u>
Total depreciation expense	<u>\$ 681,984</u>

**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

**9. LONG-TERM OBLIGATIONS**

A. The balance of the District's governmental activities long-term obligations at June 30, 2002 has been restated. The compensated absences liability increased \$99,299 from \$1,200,246 to \$1,299,545 due to the implementation of GASB Interpretation No. 6 and the fund reclassifications described in Note 3.A. In addition, pension obligations of \$125,261 at June 30, 2002 are not reported as a component of governmental activities long-term obligations as they are paid within one year of fiscal year-end. Pension obligations are reported separately on the statement of net assets. The effect on the total governmental activities long-term obligations at July 1, 2002 was a decrease of \$25,962 from \$1,885,507 to \$1,859,545. During the fiscal year 2003, the following changes occurred in governmental activities long-term obligations.

	Interest Rate	Restated Balance Outstanding 06/30/02	Additions	Reductions	Balance Outstanding 06/30/03	Amounts Due in One Year
<b>Governmental Activities:</b>						
<u>General Obligation Notes:</u>						
Energy conservation notes	5.5%	\$ 560,000	\$ -	\$ (140,000)	\$ 420,000	\$ 140,000
Total general obligation notes payable		<u>\$ 560,000</u>	<u>\$ -</u>	<u>\$ (140,000)</u>	<u>\$ 420,000</u>	<u>\$ 140,000</u>
<u>Other Long-Term Obligations:</u>						
Compensated absences		\$ 1,299,545	\$ 108,507	\$ (123,101)	\$ 1,284,951	\$ 165,738
Total other long-term obligations		<u>\$ 1,299,545</u>	<u>\$ 108,507</u>	<u>\$ (123,101)</u>	<u>\$ 1,284,951</u>	<u>\$ 165,738</u>
Total governmental activities		<u>\$ 1,859,545</u>	<u>\$ 108,507</u>	<u>\$ (263,101)</u>	<u>\$ 1,704,951</u>	<u>\$ 305,738</u>

Compensated Absences: Compensated absences will be paid from the fund from which the employee's salaries are paid.

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

**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

- B.** Principal and interest requirements to retire the long-term obligations outstanding at June 30, 2003, are as follows:

<u>Year Ended</u>	Energy Conservation Notes		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 140,000	\$ 19,250	\$ 159,250
2005	140,000	11,550	151,550
2006	140,000	3,850	143,850
Total	\$ 420,000	\$ 34,650	\$ 454,650

**C. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9 percent of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent of the property valuation of the District. In addition, the code further provides that unvoted indebtedness for energy conservation measures shall not exceed 9/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2003 are a voted debt margin of \$31,261,323 (including available funds of \$7,790) and an unvoted debt margin of \$347,261, and energy conservation debt margin of \$2,705,353.

**10. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and state laws. Classified employees earn one to five weeks of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Upon retirement, payment is made for forty percent of the total sick leave accumulation, up to a maximum accumulation of forty-six days for classified employees who receive an additional seven days if they notify the District by February 1. Certified employees receive thirty percent, up to a maximum of 40 days, and will receive an additional four days if the District is notified of the intent to retire by March 1. An employee receiving such payment must meet the retirement provisions set by STRS and SERS.

**B. Insurance Benefits**

The District provides life insurance and accidental death and dismemberment insurance in the amount of \$10,000 to certified employees. For classified employees, group term life insurance is provided in the amount of \$10,000.

**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

**C. Retirement Incentive**

The District offers a one-time retirement bonus in the amount of \$7,500 to all certified employees who provide the District with their notice of retirement by March 1 and complete the balance of the school year. The retirement bonus is payable upon completion of service through the last work day of the school year.

**11. RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2003, the District has contracted with various insurance carriers to provide insurance coverage in the following amounts:

<u>Limits of Coverage</u>	<u>Carrier</u>	<u>Coverage</u>	<u>Deductible</u>
General liability:			
Each occurrence	Ohio School Plan	\$ 1,000,000	\$ -
Aggregate		3,000,000	-
Fleet:			
Collision/Comprehensive	Indiana Insurance	1,000,000	500/1,000
Umbrella liability	Ohio School Plan	2,000,000	-
Building and contents	Indiana Insurance	48,956,950	10,000

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

**B. Huron-Erie School Employees Insurance Association**

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

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

**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

such parties, shall be reimbursed in full by any withdrawing member upon demand of the Association.

**C. OSBA Group Workers' Compensation Rating Program**

For fiscal year 2003, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

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

**12. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. Beginning July 1, 2003, the amount plan members are required to contribute has been increased to 10 percent. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2003, 2002, and

**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

2001 were \$211,097, \$93,150, and \$129,384, respectively; 45 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. \$116,065 represents the unpaid contribution for fiscal year 2003.

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

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

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. Beginning July 1, 2003, the amount plan members are required to contribute has been increased to 10 percent. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is

**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 13 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 9.5 percent of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$1,181,944, \$802,855, and \$732,2451, respectively; 84 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. \$208,456 represents the unpaid contribution for fiscal year 2003.

**C. Social Security System**

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

**13. POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$90,919 during fiscal 2003.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.011 billion at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002 (the latest information available), net health care costs paid by STRS were \$354.697 million and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care.

**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 5.83 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available) were \$182.947 million and the target level was \$274.4 million. At June 30, 2002, (the latest information available) SERS had net assets available for payment of health care benefits of \$335.2 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$178,258 during the 2003 fiscal year.

**14. BUDGETARY BASIS OF ACCOUNTING**

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

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

**Net Change in Fund Balance**

	<u>General Fund</u>
Budget basis	\$ (839,330)
Net adjustment for revenue accruals	354,760
Net adjustment for expenditure accruals	(109,827)
Net adjustment for other sources/uses	82,099
Adjustment for encumbrances	152,545
GAAP basis	\$ (359,753)

**15. CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is not party to any legal proceedings seeking damages or injunctive relief generally incidental to its operations and spending projects.

**C. State School Funding Decision**

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

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

**16. STATUTORY RESERVES**

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2003, the reserve activity was as follows:

**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>
Set-aside balance as of June 30, 2002	\$ (853,897)	\$ -
Current year set-aside requirement	291,962	291,962
Qualifying disbursements	<u>(322,114)</u>	<u>(533,777)</u>
Total	<u>\$ (884,049)</u>	<u>\$ (241,815)</u>
Balance carried forward to FY 2004	<u>\$ (884,049)</u>	<u>\$ -</u>

The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero for the textbooks/instructional materials reserve, this extra amount may be used to reduce the set-aside requirement for future years. The negative amount is therefore presented as being carried forward to the next fiscal year.

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

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**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

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

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> <b>Program Title</b>	<b>Federal CFDA Number</b>	<b>Grant Number</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
<i>Passed Through Ohio Department of Education:</i>		
<u>Nutrition Cluster:</u>		
Food Distribution Program	10.550	-
National School Lunch Program	10.555	-
Total U.S. Department of Agriculture - Nutrition Cluster		
<b>U.S. DEPARTMENT OF EDUCATION</b>		
<i>Passed Through Ohio Department of Education:</i>		
<u>Special Education Cluster:</u>		
Special Education Grants to States (IDEA Part B)	84.027	046813-6BSF-2002-P 046813-6BSF-2003-P
Special Education - Preschool Grant	84.173	046813-PGS1-2003-P
Total Special Education Cluster		
Grants to Local Educational Agencies (ESEA Title I)	84.010	016805-C1S1-2002 016805-C1S1-2003
Total Grants to Local Educational Agencies (ESEA Title I)		
Safe and Drug-Free Schools and Communities State Grant	84.186	046813-DRS1-2003
Eisenhower Professional Development State Grant	84.281	046813-MS-S1-02
Title V, Innovative Programs	84.298	046813-C2S1-2002 046183-C2S1-2003
Total Title V, Innovative Programs		
Improving Teacher Quality State Grant	84.367	046813-TRS1-2003
Technology Literacy Challenge Fund Grant	84.318	046813-TJS1-2003
School Renovation Grant	84.352	046813-ATS3-2002
Total U.S. Department of Education		
<b>Total Federal Financial Assistance</b>		

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

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
\$ 94,333	\$ 82,948	\$ 94,333	\$ 82,948
<b>94,333</b>	<b>82,948</b>	<b>94,333</b>	<b>82,948</b>
1,440		1,440	
239,331		239,331	
10,511		10,511	
<b>251,282</b>		<b>251,282</b>	
2,634		2,634	
103,597		91,852	
<b>106,231</b>		<b>94,486</b>	
8,169		8,169	
(670)			
8,161		9,700	
2,154		465	
<b>10,315</b>		<b>10,165</b>	
66,877		66,872	
3,736		3,736	
9,518		9,518	
<b>455,458</b>		<b>444,228</b>	
<b>\$ 549,791</b>	<b>\$ 82,948</b>	<b>\$ 538,561</b>	<b>\$ 82,948</b>

**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed Federal monies are expended first.

**NOTE C - MATCHING REQUIREMENTS**

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

**NOTE D – REFUNDED RECEIPTS**

The District returned \$670 in unexpended grant funds to the Ohio Department of Education during fiscal year 2003 for the Eisenhower Professional Development grant. This amount is reported as a negative receipt on the Schedule.



**Auditor of State  
Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of Perkins Local School District, Erie County, Ohio (the District), as of and for the year ended June 30, 2003, and have issued our report thereon dated January 9, 2004 in which we noted the District implemented Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and modified the capitalization threshold for capital assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 9, 2004.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in

the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 9, 2004.

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

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

**Betty Montgomery**  
Auditor of State

January 9, 2004



**Auditor of State  
Betty Montgomery**

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

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

To the Board of Education:

**Compliance**

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

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003. We noted a certain instance of noncompliance that does not require inclusion in this report that we have reported to the management of the District in a separate letter dated January 9, 2004.

### **Internal Control over Compliance**

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

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

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



**Betty Montgomery**  
Auditor of State

January 9, 2004

**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

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

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

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under §.510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Special Education Cluster (CFDA #84.027 & 84.173 )
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

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**Auditor of State  
Betty Montgomery**

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P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**PERKINS LOCAL SCHOOL DISTRICT**

**ERIE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 5, 2004**