

PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

Basic Financial Statements

Year Ended June 30, 2005

With

Independent Auditors' Report



**Auditor of State
Betty Montgomery**

Board of Education
Perrysburg Exempted Village School District
140 East Indiana Avenue
Perrysburg, Ohio 43551

We have reviewed the *Independent Auditors' Report* of the Perrysburg Exempted Village School District, Wood County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

August 28, 2006

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PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

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

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Perrysburg Exempted Village School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Perrysburg Exempted Village School District (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Perrysburg Exempted Village School 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 business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Perrysburg Exempted Village School District, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposits and Investment Risk Disclosure* and GASB Technical Bulletin 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers* for the year ended June 30, 2005.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2006 on our consideration of Perrysburg Exempted Village School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information on pages 3 through 11 and 46 through 47, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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.

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

Clark, Schaefer, Hachett & Co.

Cincinnati, Ohio
June 26, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

This discussion and analysis provides key information from management highlighting the overall financial performance of the Perrysburg Exempted Village School District for the year ended June 30, 2005. This is meant to be an easily readable summary of the most important financial information regarding the accompanying financial statements. Please read it in conjunction with the School District's financial statements.

Financial Highlights

Major financial highlights for fiscal year 2005 are listed below:

- ✓ The assets of the School District exceeded its liabilities at year-end by \$8.2 million.
- ✓ In total, net assets decreased by \$2.3 million.
- ✓ The School District had \$41.4 million in expenses related to governmental activities; only \$2.0 million of these expenses were offset by program specific charges for services, grants or contributions. General revenue of \$37.1 million, made up primarily of property and income taxes and State Foundation payments, were used to provide for these programs.
- ✓ The General Fund balance decreased by \$1.5 million from \$1.3 million at June 30, 2004 to \$(.2) million at June 30, 2005.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the School District's finances in a manner similar to a private-sector business.

The statement of net assets presents information on all of the School District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

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The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the School District include instruction, support services, administration, operation and maintenance of plant, and extracurricular activities. The business-type activities of the School District include food services, preschool and other enterprise operations.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between government funds and governmental activities.

The School District accounts for its activities using many individual funds. The most significant funds are reported in separate columns in the governmental fund financial statements. These statements provide detailed information about the individual major funds – unlike the government-wide financial statements, which report on the School District as a whole. Some funds are required to be established by State law. Also, the School District may also establish separate funds to show that it is meeting legal requirements for using grants or other money.

Proprietary funds. The School District utilizes enterprise funds, which report the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same information as the government-wide financial statements, only in more detail.

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Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The accounting used for fiduciary funds is similar to proprietary funds.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information concerning the budget for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A. Net assets at year-end

The following table presents a condensed summary of the School District's overall financial position at June 30, 2005:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>FY05</u>	<u>FY04</u>	<u>FY05</u>	<u>FY04</u>	<u>FY05</u>	<u>FY04</u>
Current and other assets	\$ 31,920,117	29,591,052	400,043	280,740	32,320,160	29,871,792
Capital assets	45,362,387	47,493,479	535,354	615,437	45,897,741	48,108,916
Total assets	<u>77,282,504</u>	<u>77,084,531</u>	<u>935,397</u>	<u>896,177</u>	<u>78,217,901</u>	<u>77,980,708</u>
Long-term debt outstanding	41,774,147	43,489,678	45,092	39,334	41,819,239	43,529,012
Other liabilities	28,014,288	23,809,174	148,511	129,937	28,162,799	23,939,111
Total liabilities	<u>69,788,435</u>	<u>67,298,852</u>	<u>193,603</u>	<u>169,271</u>	<u>69,982,038</u>	<u>67,468,123</u>
Net assets:						
Invested in capital assets, net of debt	7,136,142	7,424,747	535,354	615,437	7,671,496	8,040,184
Restricted:						
For capital purposes	952,812	1,066,865	-	-	952,812	1,066,865
Other purposes	1,967,608	2,300,029	-	-	1,967,608	2,300,029
Unrestricted	<u>(2,562,493)</u>	<u>(1,005,962)</u>	<u>206,440</u>	<u>111,469</u>	<u>(2,356,053)</u>	<u>(894,493)</u>
Total net assets	\$ <u>7,494,069</u>	<u>9,785,679</u>	<u>741,794</u>	<u>726,906</u>	<u>8,235,863</u>	<u>10,512,585</u>

The net assets of the School District continued to decline this fiscal year due to several factors. Depreciation expenses continued to exceed expenditures for capital outlay due to adequate funding levels and minimal need. A major factor that is affecting the School District's financial statements is the amount that the Wood County Auditor had available for advance on June 30, 2004 versus what was available this year on June 30, 2005. The county experienced some transitional changes involving technology and therefore the collection period was delayed in 2005. This made a difference of approximately \$1.6 million.

Outstanding debt continues to decrease due to the fact that debt obligations continue to be met through local real estate collections.

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B. Governmental and Business-type Activities during fiscal year 2005

The following table presents a condensed summary of the School District's activities during fiscal year 2005 and the resulting change in net assets:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>FY05</u>	<u>FY04</u>	<u>FY05</u>	<u>FY04</u>	<u>FY05</u>	<u>FY04</u>
Revenues:						
Program revenues:						
Charges for services and sales	\$ 422,285	403,947	1,465,715	1,426,077	1,888,000	1,830,024
Operating grants and contributions	1,536,973	1,198,177	227,114	211,353	1,764,087	1,409,530
Capital grants and contributions	<u>56,039</u>	<u>18,982</u>	<u>-</u>	<u>-</u>	<u>56,039</u>	<u>18,982</u>
Total program revenues	<u>2,015,297</u>	<u>1,621,106</u>	<u>1,692,829</u>	<u>1,637,430</u>	<u>3,708,126</u>	<u>3,258,536</u>
General revenues:						
Property taxes	20,715,393	23,605,683	-	-	20,715,393	23,605,683
Income taxes	4,057,728	4,273,620	-	-	4,057,728	4,273,620
Grants and entitlements	11,171,965	10,445,826	-	-	11,171,965	10,445,826
Investment earnings	165,864	61,695	-	-	165,864	61,695
Miscellaneous	<u>948,208</u>	<u>812,087</u>	<u>-</u>	<u>-</u>	<u>948,208</u>	<u>812,087</u>
Total general revenues	<u>37,059,158</u>	<u>39,198,911</u>	<u>-</u>	<u>-</u>	<u>37,059,158</u>	<u>39,198,911</u>
Total revenues	<u>39,074,455</u>	<u>40,820,017</u>	<u>1,692,829</u>	<u>1,637,430</u>	<u>40,767,284</u>	<u>42,457,447</u>
Expenses:						
Instruction	23,990,942	22,084,693	-	-	23,990,942	22,084,693
Support services:						
Pupil	1,799,030	1,711,661	-	-	1,799,030	1,711,661
Instructional staff	735,560	648,918	-	-	735,560	648,918
Board of Education	44,398	28,543	-	-	44,398	28,543
Administration	2,555,050	2,289,484	-	-	2,555,050	2,289,484
Fiscal	1,023,841	1,132,595	-	-	1,023,841	1,132,595
Business	132,527	173,448	-	-	132,527	173,448
Operation and maintenance of plant	5,502,115	5,044,757	-	-	5,502,115	5,044,757
Pupil transportation	1,734,079	1,469,543	-	-	1,734,079	1,469,543
Central	359,129	220,330	-	-	359,129	220,330
Non-instructional services	1,683,523	1,808,765	-	-	1,683,523	1,808,765
Interest and fiscal charges	1,805,861	1,859,654	-	-	1,805,861	1,859,654
Food services	-	-	1,484,522	1,356,625	1,484,522	1,356,625
Other enterprise	<u>-</u>	<u>-</u>	<u>193,419</u>	<u>218,746</u>	<u>193,419</u>	<u>218,746</u>
Total expenses	<u>41,366,055</u>	<u>38,472,391</u>	<u>1,677,941</u>	<u>1,575,371</u>	<u>43,043,996</u>	<u>40,047,762</u>
Change in net assets	\$ <u>(2,291,600)</u>	<u>2,347,626</u>	<u>14,888</u>	<u>62,059</u>	<u>(2,276,712)</u>	<u>2,409,685</u>

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Of the total governmental activities revenues of \$39,074,455, \$2,015,297 (5%) is from program revenue. This means that the government relies on general revenues to fund the majority of the cost of services provided to the citizens. Of those general revenues, 67% (\$24,773,121) comes from income taxes and property tax levies and 30% (\$11,171,965) is from state and federal funding. The School District's operations are reliant upon its income tax and property tax levy as well as the state's foundation program.

The School District should begin to see increases in the amount of recognized revenue within the next few years. Wood County experienced a year of reappraisal during the tax year 2005, payable in 2006. Due to the timing of the second half collection in 2005, the amounts that were available for advances on June 30, 2005 were significantly less than they were on June 30, 2004. Collections normally run from June 20th to July 20th. In calendar year 2005, those collections were delayed approximately thirty (30) days therefore decreasing the amount that the School District could recognize as revenue.

Governmental Activities

The following table presents the total cost of each of the government's primary services, and the comparative net cost after deducting the revenues generated by each function. Approximately 5% of the cost of the general government programs was recouped in program revenues. Instruction costs were \$23,990,942 but program revenue contributed to fund 4% of those costs. Thus, general revenues of \$23,088,500 were used to support of remainder of the instruction costs.

The School District's governmental activities net assets decreased by (\$2,291,600) due primarily to depreciation expense of \$2.2 million.

Governmental Activities

		<u>Total Cost of Services</u>	<u>Program Revenue</u>	<u>Revenues as a % of Total Costs</u>	<u>Net Cost of Services</u>
Instruction	\$	23,990,942	902,442	4%	23,088,500
Support services		13,885,729	373,084	3%	13,512,645
Non-instructional services		1,683,523	739,771	44%	943,752
Interest and fiscal charges		<u>1,805,861</u>	<u>-</u>	0%	<u>1,805,861</u>
Total	\$	<u>41,366,055</u>	<u>2,015,297</u>	<u>5%</u>	<u>39,350,758</u>

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Business-type Activities

Net assets of the business-type activities increased by \$14,888 primarily due to normal operations. The following table presents the total cost of each of the School District's business segments and the net cost after deducting the revenues generated by each segment. Charges and operating grants paid for 100% of the costs of Food Services.

Business-type Activities					
		<u>Total Cost of Services</u>	<u>Program Revenue</u>	<u>Revenues as a % of Total Costs</u>	<u>Net Cost (Revenue) of Services</u>
Food services	\$	1,484,522	1,487,445	100%	(2,923)
Other enterprise		<u>193,419</u>	<u>205,384</u>	<u>106%</u>	<u>(11,965)</u>
Total	\$	<u>1,677,941</u>	<u>1,692,829</u>	<u>101%</u>	<u>(14,888)</u>

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S INDIVIDUAL FUNDS

Governmental funds

The School District has two major governmental funds: the General Fund and Debt Service Fund. Assets of these funds comprise \$29,399,605 (92%) of the total \$31,817,300 governmental funds assets.

General Fund. The fund balance at June 30, 2005 was (\$245,759). There were a number of reasons for the decrease in fund balance of \$1,491,998. While revenues saw somewhat of an overall decrease in recognizable revenue, the School District experienced a number of increases in the expenditures. Overall expenditures increased at a faster rate than revenue for 2005. The School District experienced significant increases in the area of tuition costs associated with community schools and services contracted for special education.

Debt Service Fund. The debt service fund is used to retire general obligation bond principal and interest. The fund balance at June 30, 2005 was \$1,775,857. This fund is totally dependent on local tax collections. The amount of taxes assessed is determined by the outstanding general obligation debt of the School District. The balance carried forward from one year to the next is to account for unforeseen delinquencies.

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GENERAL FUND BUDGETARY HIGHLIGHTS

The schedule comparing the School District's original and final budgets and actual results are included in the required supplementary information.

The School District's total general fund revenue increased by almost five (4.8%) percent for fiscal year 2005. Real estate taxes increased by 2.9% or \$432,285. The School District experienced a decrease in personal property taxes of over 1%. Proceeds from the income tax rose by almost ten (9.7%) percent. The emergency levy approved by School District residents in May of 2004 began to show its effect for the 2004-05 fiscal year. The levy was designed to increase by \$410,050 each year of the four years of its existence.

Unfortunately expenditures rose at a higher rate than revenue and therefore affected the School District's ending cash balance on June 30, 2005. Historically expenditures have risen, on the average, 6.31% over the past ten years. This year was no different as expenditures rose 6.5% over the 2003-04 expenditure levels. The biggest area that the School District experienced expenditure growth was the area of contracted services. The School District continues to service students with special educational needs on a contracted service arrangement with the local educational service centers. Community schools continue to affect the School District's expenditure levels in this area also. Salaries and fringe benefits continued at a very acceptable level of 80.71% of total expenditures. The School District continues to work to meet the initiatives that were established through the strategic planning process.

The Waterford curriculum was adopted by the board of education as a reading initiative for first graders throughout the School District. The initial payment of \$ 200,000 was made within the 2005 fiscal year with the reminder being funded with the 2006 budget.

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CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. At June 30, 2005, the School District had \$45,897,741 invested in a broad range of capital assets, including land, buildings, equipment and vehicles. The total decrease in the School District's investment in capital assets for the current fiscal year was approximately 4%. See Note 6 to the financial statements for more detail.

**Capital Assets at Year-End
(Net of Depreciation)**

	Governmental	Business-type	Total
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Land	\$ 1,043,788	-	1,043,788
Land improvements	1,302,861	-	1,302,861
Buildings and improvements	40,132,563	-	40,132,563
Furniture and equipment	2,258,455	535,354	2,793,809
Vehicles	<u>624,720</u>	<u>-</u>	<u>624,720</u>
Total	\$ <u>45,362,387</u>	<u>535,354</u>	<u>45,897,741</u>

The School District only purchased capital assets of approximately \$57,000 during the current year which consisted primarily of equipment.

Debt

The total general obligation bonds outstanding at year-end were \$38,121,260. These bonds were issued primarily for the construction of the High School and significant renovations of other schools. See Note 12 to the financial statements.

ECONOMIC FACTORS

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

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The School District continues to experience positive growth in a number of ways. With the passage of the incremental levy in 2004 and the renewal of the permanent improvement levy in November of 2005 the School District continues to experience solid financial support from the community. The School District will experience a growth in real estate values as a result of the county wide reappraisal. The School District currently is sitting at the twenty (20) mill floor in terms of tax rates so any increase in property values for tax year 2005, payable in 2006 will result in new dollars for the School District.

The announcement of Owens-Illinois (OI) moving their world headquarters to Perrysburg from downtown Toledo earlier this year was a real boost for the local economy. While the School District income tax is intended for School District residents only, the existence of OI within the community will only have a positive effect on the economic future of this community as well as the income tax collections. Tax abatements continue to be negotiated with not only new businesses but existing companies wishing to expand.

REQUESTS FOR ADDITIONAL INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer's office at the Perrysburg Exempted Village School District, 140 E. Indiana Ave., Perrysburg, OH 43551.

PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

Statement of Net Assets

June 30, 2005

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Digital Academy
Assets:				
Cash and investments	\$ 4,378,528	388,983	4,767,511	72,752
Receivables:				
Taxes	27,096,822	-	27,096,822	-
Accounts	94,863	-	94,863	-
Intergovernmental	99,209	-	99,209	1,051
Supplies inventory	-	11,060	11,060	-
Prepays	8,581	-	8,581	5,754
Restricted cash and investments	137,211	-	137,211	-
Deferred charges	104,903	-	104,903	-
Nondepreciable capital assets	1,043,788	-	1,043,788	-
Depreciable capital assets, net	44,318,599	535,354	44,853,953	30,020
Total assets	<u>77,282,504</u>	<u>935,397</u>	<u>78,217,901</u>	<u>109,577</u>
Liabilities:				
Accounts payable	858,995	7,670	866,665	13,855
Accrued wages and benefits	3,788,314	87,527	3,875,841	-
Intergovernmental payable	682,549	53,314	735,863	-
Unearned revenue	22,533,205	-	22,533,205	-
Accrued interest payable	151,225	-	151,225	-
Noncurrent liabilities:				
Due within one year	1,831,405	408	1,831,813	-
Due within more than one year	39,942,742	44,684	39,987,426	-
Total liabilities	<u>69,788,435</u>	<u>193,603</u>	<u>69,982,038</u>	<u>13,855</u>
Net Assets:				
Invested in capital assets, net of related debt	7,136,142	535,354	7,671,496	30,020
Restricted for:				
Capital projects	952,812	-	952,812	-
Other purposes	1,967,608	-	1,967,608	3,000
Unrestricted	(2,562,493)	206,440	(2,356,053)	62,702
Total net assets	\$ <u>7,494,069</u>	<u>741,794</u>	<u>8,235,863</u>	<u>95,722</u>

See accompanying notes to the basic financial statements.

PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

Statement of Activities
Year Ended June 30, 2005

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction:				
Regular	\$ 21,183,624	19,572	266,957	38,430
Special education	2,466,086	-	577,483	-
Other instruction	341,232	-	-	-
Support services:				
Pupil	1,799,030	-	182,240	-
Instructional staff	735,560	-	112,831	-
Board of education	44,398	-	-	-
Administration	2,555,050	-	30,487	-
Fiscal	1,023,841	-	3,394	-
Business	132,527	-	-	-
Operation and maintenance of plant	5,502,115	-	8,523	-
Pupil transportation	1,734,079	-	-	17,609
Central	359,129	-	18,000	-
Non-instructional services:				
Extracurricular activities	1,197,995	402,713	-	-
Community service	485,528	-	337,058	-
Interest and fiscal charges	1,805,861	-	-	-
Total Governmental Activities	<u>41,366,055</u>	<u>422,285</u>	<u>1,536,973</u>	<u>56,039</u>
Business-Type Activities:				
Food service	1,484,522	1,260,331	227,114	-
Other enterprise	193,419	205,384	-	-
Total Business-Type Activities	<u>1,677,941</u>	<u>1,465,715</u>	<u>227,114</u>	<u>-</u>
Total primary government	\$ <u>43,043,996</u>	<u>1,888,000</u>	<u>1,764,087</u>	<u>56,039</u>
Component Unit:				
Digital Academy	\$ <u>391,207</u>	<u>-</u>	<u>15,675</u>	<u>-</u>

General Revenues:

Property taxes, levied for general purposes
 Property taxes, levied for debt services
 Income taxes
 Grants and entitlements not restricted to specific programs
 Investment earnings
 Miscellaneous
 Total general revenues

 Change in net assets
 Net assets beginning of year
 Net assets end of year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and
Changes in Net Assets

	Primary Government		Component Unit	
	Governmental Activities	Business-Type Activities	Total	
			Digital Academy	
\$	(20,858,665)	-	(20,858,665)	-
	(1,888,603)	-	(1,888,603)	-
	(341,232)	-	(341,232)	-
	(1,616,790)	-	(1,616,790)	-
	(622,729)	-	(622,729)	-
	(44,398)	-	(44,398)	-
	(2,524,563)	-	(2,524,563)	-
	(1,020,447)	-	(1,020,447)	-
	(132,527)	-	(132,527)	-
	(5,493,592)	-	(5,493,592)	-
	(1,716,470)	-	(1,716,470)	-
	(341,129)	-	(341,129)	-
	-	-	-	-
	(795,282)	-	(795,282)	-
	(148,470)	-	(148,470)	-
	(1,805,861)	-	(1,805,861)	-
	(39,350,758)	-	(39,350,758)	-
	-	2,923	2,923	-
	-	11,965	11,965	-
	-	14,888	14,888	-
	(39,350,758)	14,888	(39,335,870)	-
	-	-	-	(375,532)
	17,804,869	-	17,804,869	-
	2,910,524	-	2,910,524	-
	4,057,728	-	4,057,728	-
	11,171,965	-	11,171,965	311,801
	165,864	-	165,864	-
	948,208	-	948,208	-
	37,059,158	-	37,059,158	311,801
	(2,291,600)	14,888	(2,276,712)	(63,731)
	9,785,669	726,906	10,512,575	159,453
\$	7,494,069	741,794	8,235,863	95,722

PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

Balance Sheet
 Governmental Funds
 June 30, 2005

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and investments	\$ 1,585,318	1,503,001	1,290,209	4,378,528
Restricted cash	137,211	-	-	137,211
Receivables:				
Taxes	22,690,995	3,377,550	1,028,277	27,096,822
Accounts	94,863	-	-	94,863
Intergovernmental	-	-	99,209	99,209
Prepays	8,581	-	-	8,581
Interfund receivable	2,086	-	-	2,086
Total assets	<u>24,519,054</u>	<u>4,880,551</u>	<u>2,417,695</u>	<u>31,817,300</u>
Liabilities:				
Accounts payable	668,955	-	190,040	858,995
Accrued wages and benefits	3,692,437	-	95,877	3,788,314
Intergovernmental payable	677,805	-	4,744	682,549
Interfund payable	-	-	2,086	2,086
Compensated absences payable	26,177	-	-	26,177
Deferred revenue	<u>19,699,439</u>	<u>3,104,694</u>	<u>948,005</u>	<u>23,752,138</u>
Total liabilities	<u>24,764,813</u>	<u>3,104,694</u>	<u>1,240,752</u>	<u>29,110,259</u>
Fund Balances:				
Reserved for:				
Encumbrances	393,614	-	898,503	1,292,117
Budget stabilization	137,211	-	-	137,211
Property taxes	1,490,470	272,856	80,272	1,843,598
Prepays	8,581	-	-	8,581
Debt service	-	1,503,001	-	1,503,001
Unreserved, reported in:				
General Fund	(2,275,635)	-	-	(2,275,635)
Special Revenue Funds	-	-	(161,941)	(161,941)
Capital Projects Funds	-	-	360,109	360,109
Total fund balances	<u>(245,759)</u>	<u>1,775,857</u>	<u>1,176,943</u>	<u>2,707,041</u>
Total liabilities and fund balances	<u>\$ 24,519,054</u>	<u>4,880,551</u>	<u>2,417,695</u>	<u>31,817,300</u>

See accompanying notes to the basic financial statements.

Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2005

Total Governmental Fund Balances		\$ 2,707,041
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		45,362,387
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds.		1,218,933
Bond issuance costs are not capitalized in the funds.		104,903
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	38,226,245	
Compensated absences	3,521,725	
Accrued interest payable	151,225	
Total		(41,899,195)
Net Assets of Governmental Activities		\$ <u>7,494,069</u>

PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2005

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 20,795,267	2,894,933	826,919	24,517,119
Tuition and fees	19,572	-	-	19,572
Interest	165,864	-	-	165,864
Intergovernmental	10,706,495	380,310	1,678,172	12,764,977
Other local revenues	496,027	-	849,181	1,345,208
Total revenues	<u>32,183,225</u>	<u>3,275,243</u>	<u>3,354,272</u>	<u>38,812,740</u>
Expenditures:				
Current:				
Instruction:				
Regular	19,460,035	-	356,386	19,816,421
Special education	1,772,169	-	578,681	2,350,850
Other instruction	320,488	-	-	320,488
Support services:				
Pupil	1,511,021	-	187,303	1,698,324
Instructional staff	601,598	-	95,434	697,032
Board of Education	44,398	-	-	44,398
Administration	2,291,255	-	31,177	2,322,432
Fiscal	894,990	45,042	16,937	956,969
Business	124,200	-	-	124,200
Operation and maintenance of plant	4,022,913	-	1,176,975	5,199,888
Pupil transportation	1,607,706	-	22,768	1,630,474
Central	321,900	-	18,000	339,900
Non-instructional services:				
Extracurricular activities	556,826	-	606,067	1,162,893
Community service	100,435	-	356,679	457,114
Capital outlay	-	-	39,763	39,763
Debt Service:				
Principal	22,213	1,810,000	-	1,832,213
Interest and fiscal charges	3,958	1,820,120	-	1,824,078
Total expenditures	<u>33,656,105</u>	<u>3,675,162</u>	<u>3,486,170</u>	<u>40,817,437</u>
Excess of revenues over (under) expenditures	<u>(1,472,880)</u>	<u>(399,919)</u>	<u>(131,898)</u>	<u>(2,004,697)</u>
Other financing sources (uses):				
Transfers in	-	-	19,118	19,118
Transfers out	(19,118)	-	-	(19,118)
Total other financing sources (uses):	<u>(19,118)</u>	<u>-</u>	<u>19,118</u>	<u>-</u>
Net change in fund balance	(1,491,998)	(399,919)	(112,780)	(2,004,697)
Fund balance, beginning of year, restated	1,246,239	2,175,776	1,289,723	4,711,738
Fund balance, end of year	\$ <u>(245,759)</u>	<u>1,775,857</u>	<u>1,176,943</u>	<u>2,707,041</u>

See accompanying notes to the basic financial statements.

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
June 30, 2005

Net Change in Fund Balances - Total Governmental Funds	\$	(2,004,697)
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Amounts reported for governmental activities in the statement of activities are different because

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.

Capital outlay		57,921
Depreciation expense		(2,189,013)

Repayment of bond principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net assets.		1,832,213
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In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		18,261
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Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(268,000)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		<u>261,715</u>
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Change in Net Assets of Governmental Activities	\$	<u>(2,291,600)</u>
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PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

Statement of Net Assets

Proprietary Funds

June 30, 2005

	<u>Nonmajor Enterprise Funds</u>
Assets:	
Current assets:	
Cash and investments	\$ 388,983
Supplies inventory	<u>11,060</u>
Total current assets	<u>400,043</u>
Noncurrent assets:	
Capital assets, net	<u>535,354</u>
Total assets	<u>935,397</u>
Liabilities:	
Current liabilities:	
Accounts payable	7,670
Accrued wages	87,527
Intergovernmental payable	53,314
Compensated absences	<u>408</u>
Total current liabilities	<u>148,919</u>
Noncurrent liabilities:	
Compensated absences	<u>44,684</u>
Total liabilities	<u>193,603</u>
Net Assets:	
Invested in capital assets, net of related debt	535,354
Unrestricted	<u>206,440</u>
Total net assets	<u>\$ 741,794</u>

See accompanying notes to the basic financial statements.

PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

Year Ended June 30, 2005

	Nonmajor Enterprise Funds
Operating revenues:	
Charges for services	\$ <u>1,465,715</u>
Operating expenses:	
Salaries and wages	518,235
Fringe benefits	186,766
Contractual services	51,435
Materials and supplies	825,150
Depreciation	80,083
Other expenses	<u>16,272</u>
Total operating expenses	<u>1,677,941</u>
Operating loss	(212,226)
Nonoperating revenues:	
Operating grants	224,057
Interest income	<u>3,057</u>
Total nonoperating revenues	<u>227,114</u>
Net income	14,888
Net assets, beginning of year	<u>726,906</u>
Net assets, end of year	\$ <u><u>741,794</u></u>

See accompanying notes to the basic financial statements.

PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2005

	<u>Nonmajor Enterprise Funds</u>
Cash flows from operating activities:	
Cash received from customers	\$ 1,465,715
Cash payments for personal services	(688,262)
Cash payments for contract services	(63,682)
Cash payments for supplies and materials	(735,300)
Cash payments for other expenses	<u>(16,272)</u>
Net cash provided by operating activities	<u>(37,801)</u>
Cash flows from noncapital financing activities:	
Cash received from operating grants	<u>140,123</u>
Cash flows from investing activities:	
Investment income	<u>3,057</u>
Net increase in cash and cash equivalents	105,379
Cash and cash equivalents at beginning of year	<u>283,604</u>
Cash and cash equivalents at end of year	\$ <u><u>388,983</u></u>
 Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	(212,226)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	80,083
Donated commodities used	83,934
Changes in assets and liabilities:	
Accounts payable	7,593
Supplies inventory	(1,754)
Prepays	1,095
Accrued wages and benefits	7,565
Intergovernmental payable	(9,849)
Compensated absences payable	<u>5,758</u>
Net cash provided by operating activities	\$ <u><u>(37,801)</u></u>

See accompanying notes to the basic financial statements.

PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

Statement of Net Assets

Fiduciary Funds

June 30, 2005

	Private Purpose Trusts	Agency Funds
ASSETS		
Cash and investments	\$ 394,722	83,074
Total assets	<u>394,722</u>	<u>83,074</u>
LIABILITIES		
Due to student groups	-	83,074
Total liabilities	<u>-</u>	<u>83,074</u>
NET ASSETS		
Held in trust	\$ <u>394,722</u>	

See accompanying notes to the basic financial statements.

PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

Statement of Changes in Net Assets

Fiduciary Funds

Year Ended June 30, 2005

	<u>Private- Purpose Trust Funds</u>
Additions:	
Contributions	\$ 22,422
Interest	<u>7,899</u>
Total additions	<u>30,321</u>
Deductions:	
Community gifts, awards and scholarships	<u>26,231</u>
Total deductions	<u>26,231</u>
Change in net assets	4,090
Net assets, beginning of year	<u>390,632</u>
Net assets, end of year	\$ <u><u>394,722</u></u>

See accompanying notes to the basic financial statements.

PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Perrysburg Exempted Village School District (the "School District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued prior to December 1, 1989 in its government-wide and proprietary financial statements provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Reporting Entity

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

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes.

A discretely presented component unit is reported in a separate column in the government-wide financial statements (see below for description) to emphasize that it is legally separate from the government.

PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2005

Perrysburg Digital Academy. The Perrysburg Digital Academy (the Academy), is a legally separate nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy, under a contractual agreement with the School District, provides a comprehensive educational program of high quality, tied to state and national standards, which can be delivered to students in the K-12 population entirely through distance learning technologies. It is operated in cooperation with the School District to provide an innovative and cost-effective solution to the special problems of disabled students, students removed from school for disciplinary reasons, students needing advanced or specialized courses which are not available locally, and others, including home-schooled students. The School District appoints the seven-member Board. Separately issued financial statements can be obtained from Perrysburg Digital Academy, 140 E. Indiana Avenue, Perrysburg, Ohio 43551. See Note 13 for further discussion.

Also, the following activity is included within the reporting entity:

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

The School District is associated with four organizations, two of which are jointly governed organizations and two are insurance purchasing pools. These organizations are the Northern Ohio Educational Computer Association, the Penta County Joint Vocational School, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Wood County Schools Benefit Plan. The organizations are presented in Notes 14 and 15 to the basic financial statements.

B. Basis of Presentation

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financials activities of the primary government except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus, which differs from the manner in which the governmental fund financial statements are prepared. Therefore, the governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2005

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore identifiable to a particular function. Program revenues include charges paid by the recipient of the 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 which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements Fund financial statements report detailed information about the School District. The focus of governmental and proprietary financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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

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

Operating revenues and expenses generally result from providing services and producing and delivering services in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Fund Accounting

The School District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are grouped into the categories governmental, proprietary, and fiduciary.

PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2005

Governmental funds focus 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 are the School District's major governmental funds:

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 to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Proprietary funds are used to account for the School District's ongoing activities that are similar to those found in the private sector where the intent of the governing body is that the cost of providing goods and services to the general public be financed or recovered primarily through user charges. The School District has no major proprietary funds.

Fiduciary Funds report on net assets and changes in net assets. The School District's fiduciary funds consist of a private-purpose trust fund and agency funds. The School District's only private-purpose trust fund accounts for scholarship programs for students. These assets are not available for the School District's use. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

D. Basis of Accounting

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

The modified accrual basis of accounting is used by the governmental funds and agency funds. On a modified accrual basis, revenues are recorded when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end. Under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, interest, tuition, student fees, and grants.

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 except for unmatured principal and interest on general long-term debt which is recognized when due. Allocations of cost, such as depreciation, are not recognized in the governmental funds.

PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2005

Government-wide financial statements are prepared using the accrual basis of accounting. Also, proprietary funds and private-purpose trust fund utilize accrual accounting. Revenues are recognized when earned and expenses are recognized when incurred.

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.

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

Deferred Revenue Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes measurable as of June 30, 2005, which are intended to finance fiscal year 2006 operations, have been 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.

E. Cash and Cash Equivalents

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

During fiscal year 2005, the School District's investments were limited to certificates of deposit and the State Treasury Assets Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office that 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, 2005.

PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2005

The Governmental Accounting Standards Board Statement No. 31 (GASB 31), "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", requires that investments, with certain exceptions, be recorded at their fair value and that changes in the fair value be reported in the operating statement. The School District recorded investments held at June 30, 2005 at fair value.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund, during fiscal year 2005 amounted to \$165,864 including amounts assigned from other funds.

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

F. Inventory

Inventories of governmental funds are stated at cost while inventories of the enterprise funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds, which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of the enterprise funds consist of donated food, purchased food, and non-food supplies held for resale and are expensed when used.

G. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type columns in the government-wide financial statements. The School District defines capital assets as those with an individual cost of more than \$500 and an estimated useful life in excess of one year. All capital assets are capitalized at cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at their estimated fair values as of the date received. The School District does not possess any infrastructure. 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 capitalized.

When capital assets are purchased, they are capitalized and depreciated in the government-wide statements and the proprietary fund statements. Capital assets are reported as expenditures of the current period in the governmental fund financial statements.

PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2005

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

Buildings	50 years
Land improvements	20 years
Building improvements	20 - 30 years
Equipment and furniture other than vehicles	5-20 years
Vehicles	10 years

H. Interfund Balances

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

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

I. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, a liability is recorded only for the portion of unpaid compensated absences that has matured, for example, as a result of employee resignations and retirements.

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. Governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources with the exception of compensated absences as noted above.

PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2005

K. Fund Balance Reserves

The School District records reservations for portions of fund equity that are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balances indicates that portion of fund equity that is available for appropriation in future periods. Fund equity reserves are established for encumbrances, property taxes, prepaids, debt service and budget reserve set-asides.

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

L. Restricted Assets

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists 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 adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

N. Estimates

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

PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2005

2. CHANGE IN ACCOUNTING PRINCIPLES

The School District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" which addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk and outlines disclosure requirements.

The School District has implemented GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers." The Technical Bulletin clarifies the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple employer pension and other postemployment benefit plans. The implementation of GASB Technical Bulletin 2004-2 had the following effect on the fund balance of the General Fund previously reported:

Fund balance - General Fund - June 30, 2004	\$	1,454,919
Recognition of pension liabilities per GASB TB 2004-02		<u>(208,680)</u>
Restated fund balance - General Fund - June 30, 2004	\$	<u><u>1,246,239</u></u>

3. DEPOSITS AND INVESTMENTS

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

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

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

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

PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2005

Interim monies are permitted to be deposited or invested in the following securities:

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

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

PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2005

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and amended by GASB Statement No. 40 "Deposit and Investment Risk Disclosures":

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a custodial credit risk policy. However, protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledges by the financial institution holding the deposits. By Ohio law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds on deposit with that specific financial institution. At year-end, \$5,466,982 of the School District's bank balance of \$5,566,982 was exposed to custodial credit risk since it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

Investments

The School District's investment in STAROhio is not evidenced by securities that exist in physical or book entry form. Investments in STAR Ohio were rated AAAM by Standard & Poor's. The fair value of the School District's investment in STAROhio is \$323,778 at June 30, 2005.

4. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year were levied April 1 and are collected with real property taxes.

Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2005

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

The School District receives property taxes from Wood County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005 are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes, which became measurable as of June 30, 2005. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations.

The assessed values upon which fiscal year 2005 taxes were collected are:

	<u>2004 First- Half Collections</u>		<u>2005 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Residential/Agricultural	\$ 510,478,300	74.69%	528,958,160	74.96%
Commercial/Industrial	117,305,740	17.16%	118,580,400	16.80%
Public Utility Personal Property	12,155,950	1.78%	12,689,480	1.80%
General Personal Property	<u>43,477,697</u>	6.36%	<u>45,425,738</u>	6.44%
Total Assessed Value	\$ <u>683,417,687</u>	100.00%	<u>705,653,778</u>	100.00%
Tax rate per \$1,000 of assessed valuation		\$63.50		\$65.85

5. INCOME TAXES

In 1991, the voters of the School District passed a .5% school income tax on wages earned by residents of the School District. The taxes are collected by the State Department of Taxation in the same manner as the state income tax.

PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2005

6. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance 7/1/04	Additions	Disposals	Balance 6/30/05
Governmental Activities				
<i>Non-Depreciable</i>				
Land	\$ 1,043,788	-	-	1,043,788
<i>Depreciable</i>				
Land improvements	3,024,037	-	-	3,024,037
Buildings and improvements	57,756,899	-	-	57,756,899
Furniture and equipment	8,350,329	57,921	(7,026)	8,401,224
Vehicles	2,334,323	-	-	2,334,323
Subtotal	<u>71,465,588</u>	<u>57,921</u>	<u>(7,026)</u>	<u>71,516,483</u>
Totals at historical cost	<u>72,509,376</u>	<u>57,921</u>	<u>(7,026)</u>	<u>72,560,271</u>
Less accumulated depreciation:				
Land improvements	1,576,735	144,441	-	1,721,176
Buildings and improvements	16,304,511	1,319,825	-	17,624,336
Furniture and equipment	5,571,063	578,732	(7,026)	6,142,769
Vehicles	1,563,588	146,015	-	1,709,603
Total accumulated depreciation	<u>25,015,897</u>	<u>2,189,013</u>	<u>(7,026)</u>	<u>27,197,884</u>
Capital assets, net	<u>\$ 47,493,479</u>	<u>(2,131,092)</u>	<u>-</u>	<u>45,362,387</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,239,430
Special education	115,236
Other instruction	20,744
Support services:	
Pupil	100,706
Instructional staff	38,528
Administration	150,356
Fiscal	66,872
Business	8,327
Operation and maintenance of plant	262,464
Pupil transportation	103,605
Central	19,229
Extracurricular activities	35,102
Community service	28,414
Total depreciation expense	<u>\$ 2,189,013</u>

PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2005

	Balance 7/1/04	Additions	Disposals	Balance 6/30/05
<i>Business-type Activities:</i>				
Furniture and equipment	\$ 1,193,782	-	-	1,193,782
Less accumulated depreciation	578,345	80,083	-	658,428
Capital assets, net	\$ 615,437	(80,083)	-	535,354

Depreciation expense of \$80,083 was charged to the food services segment.

7. INTERFUND TRANSACTIONS

On the fund financial statements, the General Fund has a receivable of \$2,086 due from a non-major governmental fund. This interfund loan was made to provide operating capital. The General also made transfers of \$19,118 to a non-major governmental fund.

8. RISK MANAGEMENT

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

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 15). The GRP is intended to reduce the School District's premium by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2005

9. DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

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

Plan members are required to contribute 9% of their annual covered salary and the School District is required to contribute at an actuarially determined rate, which is currently 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts by the SERS' Retirement Board. The School District's required contributions to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were approximately \$712,000, \$671,000 and \$574,000 respectively; 48% has been contributed for fiscal year 2005 and 100% for fiscal years 2004 and 2003. The unpaid contribution for fiscal year 2005 is recorded as a liability.

State Teachers Retirement System

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

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% 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.

PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2005

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 10% of their annual covered salary and the School District is required to contribute 14%. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The School District's required contributions for pension obligations to STRS for the years ended June 30, 2005, 2004, and 2003 were \$2,444,000, \$2,351,000 and \$2,304,000 respectively; 85% has been contributed for fiscal year 2005 and 100% for fiscal years 2004 and 2003. The unpaid contribution for fiscal year 2005 is recorded as a liability.

Social Security System

All employees not covered by SERS or STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2005, members of the Board of Education have elected social security. The Board's liability is 6.2% of wages paid.

10. POSTEMPLOYMENT BENEFITS

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

STRS has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For the year ended June 30, 2005, the board allocated employer contributions equal to 1.00% of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled approximately \$175,000 during fiscal year 2005. STRS pays health care benefits from the Health Care Reserve Fund. The balance in the fund was \$3.3 billion at June 30, 2005. For the year ended June 30, 2005, net health care costs paid by STRS were \$254.8 million and STRS had 115,395 eligible benefit recipients.

PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2005

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium. For this fiscal year, employer contributions to fund health care benefits were 3.43% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. The surcharge rate added to the unallocated portion of the 14% employer contribution rate provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care for the year ended June 30, 2005 were \$178.2 million. At June 30, 2005, SERS' net assets available for payment of health care benefits were \$267.5 million which is about 168% of next year's projected net health care costs of \$158.8 million. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs. SERS has approximately 58,000 participants currently receiving health care benefits. For the School District, this amount to fund health care benefits equaled approximately \$174,000 during the 2005 fiscal year.

11. EMPLOYEE BENEFITS

Compensated Absences

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

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

PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2005

12. LONG-TERM LIABILITIES

The changes in the School District's government activities long-term liabilities during fiscal year 2005 were as follows:

	Principal Outstanding <u>7/1/04</u>	<u>Additions</u>	<u>Deletions</u>	Principal Outstanding <u>6/30/05</u>	Amounts Due in <u>One Year</u>
General obligation bonds	\$ 39,953,473	-	(1,832,213)	38,121,260	1,722,966
Less deferred amounts:					
For issuance premiums	382,655	-	(34,268)	348,387	-
On refunding	<u>(267,396)</u>	<u>-</u>	<u>23,994</u>	<u>(243,402)</u>	<u>-</u>
Total bonds payable	40,068,732	-	(1,842,487)	38,226,245	1,722,966
Compensated absences	<u>3,420,946</u>	<u>294,133</u>	<u>(167,177)</u>	<u>3,547,902</u>	<u>108,439</u>
Total	\$ <u>43,489,678</u>	<u>294,133</u>	<u>(2,009,664)</u>	<u>41,774,147</u>	<u>1,831,405</u>

General Obligation Bonds – These consist of four separate bond issues. In February 1999, the School District issued \$3,000,000 of bonds at an interest rate of 5.18%, of which, \$2,400,000 is outstanding at June 30, 2005 and will fully mature in December 2025. The School District issued \$36,300,000 of bonds in April 1999 at an interest rate of 4.98%, of which, at June 30, 2005, \$29,910,000 is outstanding and will fully mature in December 2025. The School District issued unvoted school equipment bonds in the amount of \$115,000 on February 5, 2003. The amount outstanding at June 30, 2005 was \$71,260 and these bonds pay interest at 3.39% and fully mature in January 2008.

School Improvement Refunding Bonds Payable - On September 1, 2003, School District issued \$6,035,000 of general obligation refunding bonds to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$6,035,000 of general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. At June 30, 2005, \$5,740,000 of these refunding bonds were outstanding. The bonds pay interest at 3% and will fully mature in December 2025.

Compensated absences will be paid by the fund which pays the employee's salary. The School District's voted legal debt margin was \$25,458,840 with an unvoted debt margin of \$634,394 at June 30, 2005.

The changes in the School District's business-type activities long-term liabilities during fiscal year 2005 were as follows:

	Balance <u>7/1/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>	Amounts Due in <u>One Year</u>
Compensated absences	\$ <u>39,334</u>	<u>6,071</u>	<u>(313)</u>	<u>45,092</u>	<u>404</u>

PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2005

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2005, are:

<u>Fiscal Year</u> <u>Ending June 30,</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$	1,722,966	1,739,761	3,462,727
2006		1,223,744	1,678,253	2,901,997
2007		1,339,550	1,636,908	2,976,458
2008		1,435,000	1,588,318	3,023,318
2009		1,565,000	1,532,818	3,097,818
2010-2014		9,275,000	7,428,165	16,703,165
2015-2019		8,325,000	4,279,988	12,604,988
2020-2024		10,570,000	2,084,425	12,654,425
2025-2026		<u>2,665,000</u>	<u>66,975</u>	<u>2,731,975</u>
Total	\$	<u>38,121,260</u>	<u>22,035,610</u>	<u>60,156,870</u>

13. PERRYSBURG DIGITAL ACADEMY

The Academy prepares its financials in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental nonprofit organizations. The preparation of the financial statements requires the use of estimates made by management.

Deposits

At year-end, the Academy had a cash balance of \$72,752. The bank balance was \$91,712, which was covered through the Federal Depository Insurance Corporation (FDIC).

Intergovernmental Receivables

Intergovernmental receivables at June 30, 2005 consisted primarily of a state grant in the amount of \$1,051. All intergovernmental receivables are considered collectible in full given the current fiscal year guarantee of federal funds.

Capital Assets

A summary of the capital assets as of June 30, 2005, is as follows:

	<u>Balance</u> <u>7/1/04</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>6/30/05</u>
Furniture and equipment	\$ 12,798	27,927	-	40,725
Less accumulated depreciation	<u>2,560</u>	<u>8,145</u>	<u>-</u>	<u>10,705</u>
Capital assets, net	\$ <u>10,238</u>	<u>19,782</u>	<u>-</u>	<u>30,020</u>

PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2005

14. JOINTLY GOVERNED ORGANIZATIONS

Northern Ohio Education Computer Association

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

Penta Joint Vocational School District

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

15. INSURANCE PURCHASING POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

The Wood County Schools Benefit Plan

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

PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2005

16. CONTINGENCIES

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

Litigation

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

17. REQUIRED SET-ASIDES

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

		<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside balance as of June 30, 2004	\$	(407,085)	-	137,211
Current year set-aside requirement		603,549	603,549	-
Less qualifying disbursements and offsets		<u>(303,248)</u>	<u>(2,087,367)</u>	<u>-</u>
Total		<u>(106,784)</u>	<u>(1,483,818)</u>	<u>137,211</u>
Balance carried to FY2006		<u>(106,784)</u>	<u>-</u>	<u>137,211</u>
Cash balance as of June 30, 2005	\$	<u>-</u>	<u>-</u>	<u>137,211</u>

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

PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2005

18. FUND BALANCE DEFICIT

At June 30, 2005, the Title VI-B special revenue fund had deficit fund balance of \$48,389. The deficit was created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund
 Balance - Budget and Actual (Non-GAAP Budgetary Basis)
 General Fund
 Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Taxes	20,814,826	22,213,480	22,213,480	-
Tuition and fees	25,000	19,572	19,572	-
Interest	60,000	165,864	165,864	-
Intergovernmental	9,710,000	10,706,495	10,706,495	-
Other local revenues	645,000	448,082	448,082	-
Total revenues	31,254,826	33,553,493	33,553,493	-
Expenditures:				
Current:				
Instruction:				
Regular	18,486,500	19,158,353	19,158,353	-
Special education	1,724,000	1,875,865	1,875,865	-
Other instruction	370,500	318,592	318,592	-
Support services:				
Pupil	1,591,000	1,552,736	1,552,736	-
Instructional staff	519,500	596,987	596,987	-
Board of Education	40,000	45,177	45,177	-
Administration	2,170,000	2,349,387	2,349,387	-
Fiscal	1,088,800	1,034,543	1,034,543	-
Business	138,000	128,037	128,037	-
Operation and maintenance of plant	3,945,000	4,317,020	4,317,020	-
Pupil transportation	1,551,100	1,611,489	1,611,489	-
Central	297,000	300,705	300,705	-
Non-instructional services:				
Community services	103,100	103,170	103,170	-
Extracurricular activities	574,500	539,124	539,124	-
Repayment of debt	26,000	26,171	26,171	-
Total expenditures	32,625,000	33,957,356	33,957,356	-
Excess of revenues over expenditures	(1,370,174)	(403,863)	(403,863)	-
Other financing sources (uses):				
Transfers out	-	(26,118)	(26,118)	-
Advances in	-	13,872	13,872	-
Advances out	-	(2,086)	(2,086)	-
Total other financing sources (uses):	-	(14,332)	(14,332)	-
Net change in fund balance	(1,370,174)	(418,195)	(418,195)	-
Fund balance, beginning of year	942,889	942,889	942,889	
Prior year encumbrances appropriated	561,070	561,070	561,070	
Fund balance, end of year	133,785	1,085,764	1,085,764	

See accompanying notes to required supplemental information.

PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

Notes to Required Supplementary Information

Year Ended June 30, 2005

Note A Budgetary Basis of Accounting

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

Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP statements and the budgetary basis schedule:

	<u>General</u>
Net change in fund balance - GAAP Basis	\$ (1,491,998)
Increase / (decrease):	
Due to revenues	1,370,268
Due to expenditures	846,439
Due to other sources (uses)	4,786
Due to encumbrances	<u>(1,147,690)</u>
Excess of revenues and other sources over (under) expenditures and other uses - Budget Basis	\$ <u>(418,195)</u>

PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2005

<u>Federal Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture:</u>				
(Passed through Ohio Department of Education)				
Nutrition Cluster:				
Food Distribution Program	03-PU	10.550	\$ 89,934	89,934
National School Lunch Program	04-PU	10.555	<u>140,123</u>	<u>140,123</u>
Total U.S. Department of Agriculture			<u>230,057</u>	<u>230,057</u>
 <u>U.S. Department of Education:</u>				
(Passed through Ohio Department of Education)				
Title VI-B Grant	6B-SF	84.027	668,385	674,819
Safe and Drug Free Schools	DR-S1	84.186	9,739	9,828
Innovative Education Program Strategy	C2-S1	84.298	26,728	27,178
Title III Grant	T3-S2	84.365	31,752	31,406
Title II-A Improving Teacher Quality Grant	TR-S1	84.367	<u>75,777</u>	<u>80,405</u>
Total U.S. Department of Education			<u>812,381</u>	<u>823,636</u>
Total Federal Awards			\$ <u>1,042,438</u>	<u>1,053,693</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

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

NOTE C - MATCHING REQUIREMENTS

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



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

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

To the Board of Education
Perrysburg Exempted Village School District:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Perrysburg Exempted Village School District as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements and have issued our report thereon dated June 25, 2006, wherein we noted that the District implemented Governmental Accounting Standards Board Statement No. 40 and Governmental Accounting Standards Board Technical Bulletin 2004-2. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Perrysburg Exempted Village School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Perrysburg Exempted Village School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

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

Clark, Schaefer, Hachett & Co.

Cincinnati, Ohio
June 26, 2006



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

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

To the Board of Education
Perrysburg Exempted Village School District:

Compliance

We have audited the compliance of Perrysburg Exempted Village School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Perrysburg Exempted Village School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Perrysburg Exempted Village School District's management. Our responsibility is to express an opinion on Perrysburg Exempted Village School District's compliance based on our audit.

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

In our opinion, Perrysburg Exempted Village School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

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

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

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

Clark, Schaefer, Hachett & Co.

Cincinnati, Ohio
June 26, 2006

PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2005

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT

Schedule of Prior Audit Findings

Year Ended June 30, 2005

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



**Auditor of State
Betty Montgomery**

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**PERRYSBURG EXEMPTED VILLAGE SCHOOL DISTRICT
WOOD COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 7, 2006**