



**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Perkins Local School District, Erie County, Ohio, (the District) as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

**Jim Petro**  
Auditor of State

December 20, 2000

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**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2000**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>ASSETS AND OTHER DEBITS</b>				
<b>Assets:</b>				
Equity in pooled cash and cash equivalents	\$1,395,856	\$159,880	\$7,790	\$42,486
Equity in pooled cash and cash equivalents - nonexpendable trust fund				
Cash with fiscal agent			1,805	
Investments	1,994,535			
Receivables (net of allowances of uncollectibles):				
Property taxes - current and delinquent	12,193,351			498,804
Accounts	20,608			
Accrued interest	11,727			
Interfund loan receivable	97,590			
Due from other governments	4,975	2,898		
Prepayments	44,250			
Materials and supplies inventory	40,461			
Restricted assets:				
Equity in pooled cash and cash equivalents	311,865			
Property, plant and equipment (net of accumulated depreciation where applicable)				
<b>Other Debits:</b>				
Amount available in Debt Service Fund				
Amount to be provided for retirement of General Long-Term Obligations				
<b>Total assets and other debits</b>	<b>\$16,115,218</b>	<b>\$162,778</b>	<b>\$9,595</b>	<b>\$541,290</b>



<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<u>Enterprise</u>	<u>Trust and Agency</u>			
\$146,904	\$49,340			\$1,802,256
	106,329			106,329
				1,805
				1,994,535
				12,692,155
115				20,723
				11,727
				97,590
11,872				19,745
				44,250
16,310				56,771
				311,865
45,646		\$13,871,007		13,916,653
			\$7,790	7,790
			2,047,790	2,047,790
<u>\$220,847</u>	<u>\$155,669</u>	<u>\$13,871,007</u>	<u>\$2,055,580</u>	<u>\$33,131,984</u>

(Continued)

**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2000  
(Continued)**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>				
<b>Liabilities:</b>				
Accounts payable	\$105,017	\$6,446		\$10,020
Accrued wages and benefits	1,456,302	18,851		
Compensated absences payable	164,797			
Interfund loan payable		9,385		88,205
Pension obligation payable	216,112	4,024		
Deferred revenue	11,240,306			457,529
Due to other governments	2,951			
Due to students				
Matured bonds payable			\$1,805	
General obligation bonds payable				
<b>Total liabilities</b>	<u>13,185,485</u>	<u>38,706</u>	<u>1,805</u>	<u>555,754</u>
<b>Equity and Other Credits:</b>				
Investment in general fixed assets				
Contributed capital				
Retained earnings: unreserved				
Fund balances:				
Reserved for encumbrances	77,980	6,066		9,243
Reserved for supplies inventory	40,461			
Reserved for prepayments	44,250			
Reserved for debt service			7,790	
Reserved for principal endowment				
Reserved for tax revenue unavailable for appropriation	963,934			41,275
Reserved for budget stabilization	311,865			
Unreserved-undesignated	1,491,243	118,006		(64,982)
<b>Total equity and other credits</b>	<u>2,929,733</u>	<u>124,072</u>	<u>7,790</u>	<u>(14,464)</u>
<b>Total liabilities, equity and other credits</b>	<u><u>\$16,115,218</u></u>	<u><u>\$162,778</u></u>	<u><u>\$9,595</u></u>	<u><u>\$541,290</u></u>

*The notes to the general-purpose financial statements are an integral part of this statement.*

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
	\$819			\$122,302
\$34,698				1,509,851
6,934			\$1,100,613	1,272,344
				97,590
22,419			114,967	357,522
12,851				11,710,686
	1,401			4,352
	31,671			31,671
				1,805
			840,000	840,000
76,902	33,891		2,055,580	15,948,123
		\$13,871,007		13,871,007
59,413				59,413
84,532				84,532
				93,289
				40,461
				44,250
				7,790
	106,329			106,329
				1,005,209
				311,865
	15,449			1,559,716
143,945	121,778	13,871,007		17,183,861
<b>\$220,847</b>	<b>\$155,669</b>	<b>\$13,871,007</b>	<b>\$2,055,580</b>	<b>\$33,131,984</b>

**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2000**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
<b>Revenues:</b>		
From local sources:		
Taxes	\$ 11,373,766	
Tuition	18,571	
Earnings on investments	295,737	
Other local revenues	114,560	\$ 271,955
Intergovernmental - State	3,354,300	60,812
Intergovernmental - Federal		300,549
Total revenue	<u>15,156,934</u>	<u>633,316</u>
<b>Expenditures:</b>		
Current:		
Instruction:		
Regular	6,931,333	9,366
Special	1,263,696	219,969
Vocational	389,245	
Other	12,948	
Support services:		
Pupil	1,258,095	15,323
Instructional staff	845,088	98,924
Board of Education	22,481	
Administration	1,129,025	62,472
Fiscal	435,155	
Business	49,430	
Operations and maintenance	1,544,707	2,171
Pupil transportation	756,960	
Central	6,596	
Community services	2,721	
Extracurricular activities	446,182	195,245
Facilities services	26,249	
Debt service:		
Principal retirement		
Interest and fiscal charges		
Total expenditures	<u>15,119,911</u>	<u>603,470</u>
Excess of revenues over (under) expenditures	<u>37,023</u>	<u>29,846</u>
<b>Other financing sources (uses):</b>		
Operating transfers in		25,000
Operating transfers out	(261,726)	
Proceeds from sale of assets	1,812	
Total other financing sources (uses)	<u>(259,914)</u>	<u>25,000</u>
Excess of expenditures and other financing uses over revenues and other financing sources	(222,891)	54,846
Fund balance July 1	3,147,660	69,226
Increase in reserve for inventory	4,964	
<b>Fund balance, June 30</b>	<u><u>\$2,929,733</u></u>	<u><u>\$124,072</u></u>

*The notes to the general-purpose financial statements are an integral part of this statement.*

Governmental Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$7,109	\$464,677		\$11,845,552
			18,571
			295,737
		\$67,684	454,199
749	47,493		3,463,354
			300,549
<u>7,858</u>	<u>512,170</u>	<u>67,684</u>	<u>16,377,962</u>
			6,940,699
			1,483,665
			389,245
			12,948
	88,863	2,043	1,364,324
			944,012
			22,481
	3,763		1,195,260
128	7,555		442,838
			49,430
	3,625	1,706	1,552,209
	13,887		770,847
		34,925	41,521
		29,349	32,070
			641,427
	502,662		528,911
360,000			360,000
56,320			56,320
<u>416,448</u>	<u>620,355</u>	<u>68,023</u>	<u>16,828,207</u>
<u>(408,590)</u>	<u>(108,185)</u>	<u>(339)</u>	<u>(450,245)</u>
236,726			261,726
			(261,726)
			1,812
<u>236,726</u>			<u>1,812</u>
(171,864)	(108,185)	(339)	(448,433)
179,654	93,721	15,788	3,506,049
			4,964
<u>\$7,790</u>	<u>(\$14,464)</u>	<u>\$15,449</u>	<u>\$3,062,580</u>

**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30,2000**

	General Fund			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
From local sources:						
Taxes	\$10,842,840	\$10,842,840				
Tuition	18,571	18,571				
Earnings on investments	313,629	317,735	\$4,106			
Other local revenues	108,889	109,526	637	\$271,941	\$271,956	\$15
Intergovernmental - State	3,351,275	3,351,275		60,247	60,247	
Intergovernmental - Federal				300,549	300,549	
Total revenues	14,635,204	14,639,947	4,743	632,737	632,752	15
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	6,847,832	6,787,708	60,124	14,361	9,368	4,993
Special	1,169,177	1,137,143	32,034	240,132	240,132	
Vocational	438,599	391,926	46,673			
Other	60,646	11,581	49,065			
Support services:						
Pupil	1,351,363	1,262,400	88,963	19,418	19,386	32
Instructional staff	863,239	846,873	16,366	112,794	82,562	30,232
Board of Education	24,641	22,064	2,577			
Administration	1,134,654	1,083,620	51,034	69,819	63,505	6,314
Fiscal	452,846	441,278	11,568			
Business	51,105	48,423	2,682			
Operations and maintenance	1,654,082	1,591,043	63,039	2,247	2,171	76
Pupil transportation	816,723	744,263	72,460			
Central	7,200	7,146	54	473		473
Community services	2,800	2,694	106			
Extracurricular activities	473,797	451,906	21,891	211,930	194,998	16,932
Facilities services	28,136	28,136				
Debt service:						
Principal retirement						
Interest and fiscal charges						
Total expenditures	15,376,840	14,858,204	518,636	671,174	612,122	59,052
Excess of revenues over (under) expenditures	(741,636)	(218,257)	523,379	(38,437)	20,630	59,067
<b>Other financing sources (uses):</b>						
Refund of prior year's expenditures	1,722	1,722				
Operating transfers in				25,000	25,000	
Operating transfers (out)	(274,043)	(274,043)				
Advances in				9,385	9,385	
Advances (out)	(97,590)	(97,590)				
Proceeds of sale of fixed assets	1,812	1,812				
Total other financing sources (uses)	(368,099)	(368,099)		34,385	34,385	
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(1,109,735)	(586,356)	523,379	(4,052)	55,015	59,067
Fund balance, July 1	4,001,088	4,001,088		87,859	87,859	
Prior year encumbrances appropriated	177,421	177,421		6,564	6,564	
<b>Fund balance, June 30</b>	<b>\$3,068,774</b>	<b>\$3,592,153</b>	<b>\$523,379</b>	<b>\$90,371</b>	<b>\$149,438</b>	<b>\$59,067</b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

<b>Debt Service</b>			<b>Capital Projects</b>			<b>Total (Memorandum only)</b>		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$7,807	\$7,807		\$441,590	\$441,590		\$11,292,237	\$11,292,237	
						18,571	18,571	
						313,629	317,735	\$4,106
						380,830	381,482	652
749	749		47,493	47,493		3,459,764	3,459,764	
						300,549	300,549	
8,556	8,556		489,083	489,083		15,765,580	15,770,338	4,758
						6,862,193	6,797,076	65,117
						1,409,309	1,377,275	32,034
						438,599	391,926	46,673
						60,646	11,581	49,065
			96,037	94,508	\$1,529	1,466,818	1,376,294	90,524
						976,033	929,435	46,598
						24,641	22,064	2,577
			3,763	3,763		1,208,236	1,150,888	57,348
500	129	\$371	8,000	7,556	444	461,346	448,963	12,383
						51,105	48,423	2,682
			12,319	9,816	2,503	1,668,648	1,603,030	65,618
			13,900	13,887	13	830,623	758,150	72,473
						7,673	7,146	527
			12,000		12,000	14,800	2,694	12,106
			556,663	556,658	5	685,727	646,904	38,823
						584,799	584,794	5
175,000	175,000					175,000	175,000	
241,320	241,320					241,320	241,320	
416,820	416,449	371	702,682	686,188	16,494	17,167,516	16,572,963	594,553
(408,264)	(407,893)	371	(213,599)	(197,105)	16,494	(1,401,936)	(802,625)	599,311
236,726	236,726					1,722	1,722	
						261,726	261,726	
						(274,043)	(274,043)	
			88,205	88,205		97,590	97,590	
						(97,590)	(97,590)	
						1,812	1,812	
236,726	236,726		88,205	88,205		(8,783)	(8,783)	
(171,538)	(171,167)	371	(125,394)	(108,900)	16,494	(1,410,719)	(811,408)	599,311
178,957	178,957		34,734	34,734		4,302,638	4,302,638	
			97,389	97,389		281,374	281,374	
<b>\$7,419</b>	<b>\$7,790</b>	<b>\$371</b>	<b>\$6,729</b>	<b>\$23,223</b>	<b>\$16,494</b>	<b>\$3,173,293</b>	<b>\$3,772,604</b>	<b>\$599,311</b>

**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE  
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2000**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Operating revenues:</b>			
Sales/charges for services	\$518,825		\$518,825
Investment earnings		\$5,777	5,777
Gifts and donations		7,611	7,611
<b>Total operating revenues</b>	<b>518,825</b>	<b>13,388</b>	<b>532,213</b>
<b>Operating expenses:</b>			
Personal services	286,139		286,139
Contract services	3,704		3,704
Materials and supplies	338,503		338,503
Depreciation	8,722		8,722
Other		5,851	5,851
<b>Total operating expenses</b>	<b>637,068</b>	<b>5,851</b>	<b>642,919</b>
Operating income (loss)	(118,243)	7,537	(110,706)
<b>Nonoperating revenues:</b>			
Operating grants	83,110		83,110
Investment earnings	6,539		6,539
Federal commodities	47,870		47,870
<b>Total nonoperating revenues</b>	<b>137,519</b>		<b>137,519</b>
Net income (loss)	19,276	7,537	26,813
Retained earnings/fund balance July 1	65,256	98,792	164,048
<b>Retained earnings/fund balance June 30</b>	<b>\$84,532</b>	<b>\$106,329</b>	<b>\$190,861</b>

*The notes to the general-purpose financial statements are an integral part of this statement.*



**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

**COMBINED STATEMENT OF CASH FLOWS  
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2000**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
<b>Cash flows from operating activities:</b>			
Cash received from sales/service charges	\$518,710		\$518,710
Cash received from other operations		\$7,611	7,611
Cash payments for personal services	(283,347)		(283,347)
Cash payments for contract services	(3,704)		(3,704)
Cash payments supplies and materials	(290,572)		(290,572)
Cash payments for other expenses		(5,851)	(5,851)
	<u>(58,913)</u>	<u>1,760</u>	<u>(57,153)</u>
<b>Net cash used in operating activities</b>			
<b>Cash flows from noncapital financing activities:</b>			
Cash received from operating grants	71,238		71,238
	<u>71,238</u>		<u>71,238</u>
<b>Cash flows from investing activities:</b>			
Cash received from interest on cash equivalents	6,539	5,777	12,316
	<u>6,539</u>	<u>5,777</u>	<u>12,316</u>
Net increase in cash and cash equivalents	18,864	7,537	26,401
Cash and cash equivalents at beginning of year	128,040	98,792	226,832
	<u>128,040</u>	<u>98,792</u>	<u>226,832</u>
<b>Cash and cash equivalents at end of year</b>	<b><u>\$146,904</u></b>	<b><u>\$106,329</u></b>	<b><u>\$253,233</u></b>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>			
Operating income (loss)	(\$118,243)	\$7,537	(\$110,706)
<b>Adjustments to reconcile operating loss to net cash used in operating activities:</b>			
Depreciation	8,722		8,722
Federal donated commodities	47,870		47,870
Interest reported as operating income		(5,777)	(5,777)
Changes in assets and liabilities:			
Decrease in supplies inventory	6,916		6,916
Increase in accounts receivable	(115)		(115)
Increase in prepayments	488		488
Increase in accrued wages and benefits	6,364		6,364
Decrease in compensated absences payable	(3,339)		(3,339)
Increase in pension obligation payable	(721)		(721)
Decrease in deferred revenue	(6,855)		(6,855)
	<u>(6,855)</u>		<u>(6,855)</u>
<b>Net cash used in operating activities</b>	<b><u>(\$58,913)</u></b>	<b><u>\$1,760</u></b>	<b><u>(\$57,153)</u></b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

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**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Perkins Local School District (the District) operates under a locally-elected five-member Board form of government and provides educational services mandated by state and/or federal agencies. This Board controls the District's seven instructional/support facilities staffed by 86 non-certificated employees, 139 certificated full time teaching personnel and 7 administrative employees to provide services to approximately 2,101 students and other community members.

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

The District is the 259<sup>th</sup> largest in the state of Ohio (among 660 Districts) in terms of enrollment and the third largest in Erie County. It currently operates two elementary schools, one middle school and one comprehensive high school. Located in Erie County, the District serves an area of approximately 72 square miles, including portions of the City of Sandusky and surrounding townships.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The District's reporting entity has been defined in accordance with GASB Statement No. 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship with the District.

**Sandusky Public Library:**

The Library is a distinct political subdivision of the State of Ohio governed by a board of trustees. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. The District in 1995 passed a tax renewal of .8 mills on behalf of the Library. The District reports these monies in an agency fund.

**Jointly Governed Organizations:**

Bay Area Council of Governments - The Bay Area Council of Governments (BACG) is a jointly governed organization. Members of the BACG consist of twenty-six school districts representing seven counties (Ottawa, Sandusky, Seneca, Erie, Huron, Wood, and Crawford). The BACG was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through the council of governments are natural gas and insurance. The only cost to the District is an administrative charge if it participates in purchasing through the BACG. The membership of BACG consists of the superintendent of each participating school district. The Board of Directors

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of the BACG consists of one elected representative of each county, the superintendent of the fiscal agent and two non-voting members (administrator and fiscal agent). Members of the Board serve staggered two-year terms. Financial information can be obtained by contacting the Erie County Educational Service Center, which serves as fiscal agent, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

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

The District is also a member of two insurance purchasing pools, described in Note 11.

**B. Fund Accounting**

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

**Governmental Funds**

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

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

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

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

Capital Projects Funds - The Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

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**Proprietary Funds**

Proprietary Funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the District's Proprietary Fund Types:

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

**Fiduciary Funds**

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include Expendable Trust, Nonexpendable Trust and Agency Funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency Funds are presented on a budget basis, with note disclosure, regarding items which, in other fund types, would be subject to accrual. See Note 3 for an analysis of Agency Fund accruals which, in other fund types, would be recognized in the combined balance sheet.

**Account Groups**

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

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

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

**C. Measurement Focus/Basis of Accounting**

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

All Proprietary Funds and the Nonexpendable Trust Fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary Fund Type operating statements present increases (e.g., revenues) and decreases (expenses) in net total assets.

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The modified accrual basis of accounting is followed for Governmental and Expendable Trust Funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year), and accounts (student fees and rent). Property taxes measurable as of June 30, 2000, and which are intended to finance fiscal 2001 operations, have been recorded as deferred revenues. Property tax amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with Ohio Revised Code § 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long term obligation principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The Proprietary Funds and the Nonexpendable Trust Fund are accounted for on the accrual basis of accounting. Under the accrual basis of accounting revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

**D. Budgets**

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2000 is as follows.

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers comments.

The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.

2. By no later than January 20, the board-adopted budget is filed with the Erie County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its

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budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2000.

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget -Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2000 in the following amounts:

	<u>Increase</u>
General Fund	\$942,618
Special Revenue Funds	302,651
Capital Projects Funds	24,813
Enterprise Funds	25,214
Expendable Trust Fund	31,738
Nonexpendable Trust Fund	1,500
 Total All Funds	 <u>\$1,328,534</u>

8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at year-end (not recognized as accounts payable) appear as a reserve to the fund balance on a GAAP basis (Exhibit 1) and as

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the equivalent of expenditures on a non-GAAP budgetary basis (Exhibit 3) in order to demonstrate legal compliance. Note 15 provides a reconciliation of the budgetary and GAAP basis of accounting.

**E. Cash and Investments**

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

During fiscal year 2000, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), federal agency securities, and a money market account.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as non-negotiable certificates of deposit are reported at cost.

Calculation of the Net Decrease in the Fair Value of Investments - Aggregate Method

Fair value at June 30, 2000	\$1,994,535
Less: Fair value at June 30, 1999	<u>(2,000,358)</u>
Change in fair value of investments	<u><u>\$(5,823)</u></u>

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2000.

By policy of the Board of Education, all investment earnings are assigned to the General Fund unless the Board approves the transfer of investment earnings to another fund. Interest revenue credited to the General Fund during fiscal 2000 amounted to \$295,737, which includes \$28,099 assigned from other funds. During fiscal 2000, the Board transferred \$5,777 of investment earnings to the Endowment Fund and \$6,539 to the Food Service Fund.

The District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account was \$1,805.

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 original maturities of three months or less at the time they were purchased by the District are considered to be cash equivalents. Investments with an original maturity of more than three months are reported as investments.

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



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**F. Inventory**

Inventories for all Governmental Funds are valued at cost (first in/first out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which indicates they are unavailable for appropriation even though they are a component of reported assets.

Inventories of Proprietary Funds are valued at the lower of cost (first in/first out method) or market and expensed when used rather than when purchased.

**G. Prepays**

Prepayments for Governmental Funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

**H. Fixed Assets and Depreciation**

General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than one year. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Assets Account Group. Interest incurred during construction is not capitalized on general fixed assets.

Proprietary Funds

Property, plant and equipment reflected in the proprietary funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives.

<u>Asset</u>	<u>Life - Years</u>
Buildings	25 - 50
Furniture, Fixtures and Minor Equipment	5 - 20
Vehicles	5 - 6

**I. Intergovernmental Revenues**

In Governmental Funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when

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measurable and available. Reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary Fund operations are recognized as revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

**Entitlements**

General Fund

State Foundation Program  
State Property Tax Relief

Debt Service Fund

State Property Tax Relief

Capital Projects Funds

State Property Tax Relief

**Non-Reimbursable Grants**

Special Revenue Funds

Preschool for the Handicapped  
Venture Capital  
Teacher Development  
Management Information Systems  
Community Education  
Date Communication  
School Net Professional Development  
Title VI-B  
Title I  
Title VI  
GOALS 2000  
Textbook Subsidy

Capital Project Fund

SchoolNet  
Power-Up Grant

**Reimbursable Grants**

General Fund

School Bus Purchases  
Driver Education  
Vocational Education Travel/Salary

Proprietary

National School Lunch Program  
National School Milk Program

Grants and entitlements amounted to approximately 23% of the District's operating revenue during the 2000 fiscal year.

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**J. Interfund Transactions**

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable."
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring and non-routine permanent transfers of equity, generally made when a fund is closed.
6. Long-term interfund loans will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of the District's interfund transactions for fiscal year 2000 is presented in Note 5.

**K. Compensated Absences**

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

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

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

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

Accumulated vacation and severance of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long-Term Obligations Account Group. Vacation and sick leave for employees meeting the above requirements who are paid from Proprietary Funds are recorded as an expense when earned.

The District, in collective bargaining agreements with employee labor unions, has agreed to pay classified employees eligible to retire a bonus based upon age and years of service. The amount of the bonus ranges from \$275 to \$1,640. Certified employees eligible to retire are also eligible for a bonus. The bonus is \$7,500 and depends upon age and years of service. Any employee who reaches 30 years of service must take advantage of the bonus and retire or forfeit eligibility for the bonus. Bonus payments have been included in the calculation for the total compensated absences liability.

**L. Long-Term Obligations**

For long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a government fund. The remaining portion of such obligations is reported in the General Long-Term Obligations Account Group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

**M. Fund Equity**

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, prepayments, materials and supplies inventory, debt service, principal endowment, tax advance unavailable for appropriation, and budget set-asides. The unreserved portions of fund equity reflected for the Governmental Funds are available for use within the specific purposes of those funds.

**N. Statutory Reserves**

The District is required by state law to set aside certain (cash-basis) general fund revenue amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 2000, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 1999			\$188,733
Current year set-aside requirement	\$358,068	\$358,068	123,132
Current year offsets			
Qualifying disbursements	<u>(422,263)</u>	<u>(784,110)</u>	<u>          </u>
Total	<u>(64,195)</u>	<u>(537,846)</u>	<u>311,865</u>
Cash balance carried forward to FY 2000	<u>\$(64,195)</u>	<u>          </u>	<u>\$311,865</u>

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Although the District has offsets and qualifying disbursements during the year that reduced the set-aside requirements below zero, only the amount for textbooks may be used to reduce the set-aside requirements of future years.

A schedule of the restricted assets at June 30, 2000 follows:

Amount restricted for budget stabilization	<u>\$311,865</u>
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**O. Statement of Cash Flows**

The District's Financial Statements have been prepared in accordance with GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. For purposes of GASB Statement No. 9, cash refers to "Equity in pooled cash and cash equivalents" and "Investments." The District has presented a statement of cash flows for its Enterprise Fund and its Nonexpendable Trust Fund.

**P. Financial Reporting for Proprietary and Similar Fund Types**

The District's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. The District accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**Q. Restricted Assets**

Restricted assets in the General fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. See Note 2 N for statutory reserves.

**R. Estimates**

The preparation of the General-Purpose Financial Statements in conformity with GAAP 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.

**S. Memorandum Only - Total Columns**

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

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**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Deficit Fund Balances**

Fund balances at June 30, 2000 included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Management Information Systems	\$ (5,359)
Title I	(345)
EHA Preschool Handicapped	(44)
Goals 2000	(17,552)
<u>Capital Projects Fund</u>	
Power Up Grant	(81,159)

These GAAP deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

**B. Agency Fund**

The following accrual for the Agency funds would be recognized in the combined balance sheet in other fund types:

<u>Asset</u>	
Taxes receivable - Current and Delinquent	<u>\$227,191</u>

**NOTE 4 - CASH AND CASH EQUIVALENTS**

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

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

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

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

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

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

*Cash on Hand:* At year end, the District had \$600 in undeposited cash on hand which is included on the Balance Sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents."

*Cash with Fiscal Agent:* At year end, \$1,805 was on deposit with the District's fiscal agent and included in the total amount of deposits reported below; however, this amount is not part of the internal cash pool reported on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents."

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

**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

*Deposits:* At year-end the carrying amount of the District's deposits was \$(100,091) and the bank balance was \$138,282 (both amounts are exclusive of payroll clearance accounts). Of the bank balance, \$100,000 was covered by federal deposit insurance and \$38,282 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District held to a successful claim by the FDIC.

*Investments:* GASB Statement No. 3 entitled, Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements, requires the District investments to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Fair Value
Federal Agency Securities	\$1,994,535	\$1,994,535
Not Subject to Categorization:		
Investment in State		
Treasurer's Investment Pool	_____	2,321,746
Total Investments	\$1,994,535	\$4,316,281

The federal agency securities mature in May, 2001.

The classification of cash and cash equivalents, and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9 entitled, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.

A reconciliation between the classifications of cash and cash equivalents and investments per GASB Statement No. 9 on the combined balance sheet and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 2,220,450	\$1,994,535
Investments of the Cash		
Management Pool:		
State Treasurer's Investment Pool	(2,321,746)	2,321,746
Cash on Hand	(600)	
Cash with Fiscal Agent	1,805	_____
GASB Statement No. 3	\$(100,091)	\$4,316,281



**PERKINS LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**NOTE 5 - INTERFUND TRANSACTIONS**

The following is a summarized breakdown of the District's operating transfers for 2000.

Fund	Transfers In	Transfers (Out)
General Fund		\$(261,726)
Special Revenue Funds	\$ 25,000	
Debt Service Fund	<u>236,726</u>	
Totals	<u>\$261,726</u>	<u>\$(261,726)</u>

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

Real property taxes and public utility taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed at 50% of market and railroads which are assessed at 29%. Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value.

The assessed value upon which the 1999 taxes were collected was \$313,672,453. Agricultural/Residential and public utility real estate represented 77.8 or \$244,026,310 of this total; public utility tangible represented 6.5% or \$20,497,250 of this total and general tangible property represented 15.7% or \$49,148,893 of this total. The voted general tax rate for operations at the fiscal year ended June 30, 2000 was \$50.80 per \$1,000 of assessed valuation \$2.00 per \$1,000 of assessed valuation for permanent improvements, and \$.00 per \$1,000 of assessed valuation for debt retirement.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20.

The Erie County Treasurer collects property tax on behalf of the District. The County Auditor periodically remits to the District its portions of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance for tax advance unavailable for appropriation. The

**PERKINS LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

District is prohibited, by law, from appropriating this revenue in accordance with Ohio Revised Code § 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2000 consisted of taxes, accounts and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - Current and Delinquent	\$12,193,351
Accounts	20,608
Intergovernmental	4,975
 <u>Capital Projects Fund</u>	
Taxes - Current and Delinquent	498,804

**NOTE 8 - FIXED ASSETS**

A summary of the changes in the General Fixed Assets Account Group during the fiscal year follows:

	<u>Balance at 7/01/99</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at 6/30/00</u>
Land/Improvements	\$649,301	\$2,868		\$652,169
Buildings	9,024,118	101,867		9,125,985
Furniture/Equipment	2,358,650	374,541	\$(173,169)	2,560,022
Vehicles	1,441,271	195,552	(119,792)	1,517,031
Construction in Progress		15,800		15,800
<b>Total</b>	<b><u>\$13,473,340</u></b>	<b><u>\$690,628</u></b>	<b><u>\$(292,961)</u></b>	<b><u>\$13,871,007</u></b>

A summary of the Proprietary Funds fixed assets at June 30, 2000 follows:

Furniture and Equipment	\$117,031
Less: Accumulated Depreciation	<u>(71,385)</u>
<b>Net Fixed Assets - Proprietary Funds</b>	<b><u>\$ 45,646</u></b>

**NOTE 9 - CONTRIBUTED CAPITAL**

The following is a reconciliation of the change in the contributed capital for the Food Service fund:

Contributed Capital at Beginning of Year	\$59,413
Contributions During the Year	<u>          </u>
<b>Contributed Capital at End of Year</b>	<b><u>\$59,413</u></b>

**PERKINS LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**NOTE 10 - LONG-TERM OBLIGATIONS**

All current obligation bonds outstanding, issued to provide funds for the acquisition and construction of equipment and facilities, are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to these liabilities are recorded as expenditures in the Debt Service Fund. The source of payment is derived from a current .47 mill bonded debt tax levy, and a 2.00 mill permanent improvements tax levy.

A. The following is a description of the District's bond and notes outstanding as of June 30, 1999:

	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Bonds/Note Outstanding 7/01/99</u>	<u>Retired In 2000</u>	<u>Bonds/Note Outstanding 6/30/00</u>
General-Purpose Facilities Bond	5.25%	12/01/99	\$175,000	\$175,000	
H.B. 264 -Energy Bond	5.5%	11/22/05	980,000	140,000	\$840,000
Energy Savings Note	7.45%	11/22/99	45,000	45,000	
			<u>\$1,200,000</u>	<u>\$360,000</u>	<u>\$840,000</u>

B. The following is a summary of the District's future annual debt service requirements to maturity for general obligation debt:

<u>Year Ending June 30</u>	<u>Principal on Bonds/Note</u>	<u>Interest on Bonds/Note</u>	<u>Total</u>
2001	\$140,000	\$42,350	\$182,350
2002	140,000	34,650	174,650
2003	140,000	26,950	166,950
2004	140,000	19,250	159,250
2005	140,000	11,550	151,550
2006	140,000	3,850	143,850
Total	<u>\$840,000</u>	<u>\$138,600</u>	<u>\$978,600</u>

C. During the year ended June 30, 2000, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Groups. Compensated absences will be paid from the fund from which the employee is paid.

	<u>Balance at 7/1/98</u>	<u>Increase</u>	<u>(Decrease)</u>	<u>Balance at 6/30/99</u>
Compensated Absences	\$1,080,034	\$203,949	\$(183,370)	\$1,100,613
Pension Obligation Payable	105,732	114,967	(105,732)	114,967
General Obligation Bonds	175,000		(175,000)	
HB 264 Energy Bond	980,000		(140,000)	840,000
Energy Conservation Notes	45,000		(45,000)	
TOTAL	<u>\$2,385,766</u>	<u>\$318,916</u>	<u>\$(649,102)</u>	<u>\$2,055,580</u>

**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**D. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2000 are a voted debt margin of \$28,294,775 (including available funds of \$7,790) and an unvoted debt margin of \$314,300.

**NOTE 11 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and compensation coverage at a cost it considered to be economically justifiable. The District contracted with private carriers for property, general liability, and vehicle insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

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

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund."

This "equity pooling" arrangement ensures that each participant share equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

The District is a member of the Huron-Erie School Employees Insurance Association, a public entity risk pool currently operating as a common risk management and health insurance program for 14 member school districts. The District pays a monthly premium to the pool for health, prescription, drug, dental, and vision coverage. The pool agreement provides that the Association will be self-sustaining through member premiums, and the pool purchased a stop-loss coverage from private insurance carriers to cover claims in excess of \$200,000 for any employee in a year or to cover aggregate claims in excess of 120% of the prior year's total claims. Individual coverage per person cannot exceed \$1,000,000 in claims during his or her lifetime.

**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**NOTE 12 - SEGMENT INFORMATION**

The District maintains one Enterprise Fund to account for the operations of Food Service. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Fund of the District as of and for the year ended June 30, 2000:

	Food Service
Operating revenues	\$ 518,825
Depreciation	8,722
Operating loss	(118,243)
Operating grants	83,110
Donated federal /commodities	47,870
Net income	19,276
Net working capital	98,299
Total assets	220,847
Long-term liabilities payable	
from fund revenues	6,934
Total liabilities	76,902
Total equity	143,945

**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District was required to contribute 14 percent for 2000; 5.55 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$326,375, \$297,811, and \$276,091, respectively; 51 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1997. \$159,858, which represents the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement

**PERKINS LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were 1,021,341, \$975,347 and \$923,076, respectively; 83 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1997, \$163,712, which represents the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

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

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the District, this amount equaled \$583,623 during the 2000 fiscal year. As of June 30, 1999 ( latest information available), eligible benefit recipients totaled 95,796. For the fiscal year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and the balance in the Health Care Reserve Fund was \$2.783 billion.

For SERS, coverage is made available to service retirees with ten or more fiscal 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 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000,

**PERKINS LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including surcharge, equaled \$167,890 during the 2000 fiscal year.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999, were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999 SERS had net assets available for payment of health care benefits of \$188 million. SERS has approximately 51,000 participants currently receiving health care benefits. The number of participants currently receiving health care benefits is approximately 51,000.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds(GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for governmental funds are as follows:

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
		Governmental Fund Types		
	General	Special Revenue	Debt Service	Capital Projects
Budget Basis	\$(586,356)	\$55,015	\$(171,167)	\$(108,900)
Net Adjustment for Revenue Accruals	516,987	564	(697)	23,087
Net Adjustment for Expenditure Accruals	(364,439)	(1,790)		46,570
Net Adjustment for Other Financing Sources/(Uses)	108,185	(9,385)		(88,205)
Adjustment for Encumbrances	102,732	10,442		19,263
GAAP Basis	\$(222,891)	\$54,846	\$(171,864)	\$(108,185)

**PERKINS LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**NOTE 16 - CONTINGENT LIABILITIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2000.

**B. Litigation**

The District is involved in no litigation as either plaintiff or defendant.

**C. School Funding Decision**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 2000, the District received of \$2,201,838 of school foundation support.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant[ing] further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continue the case at least until June 15, 2001

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



**PERKINS LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**NOTE 17 -SUBSEQUENT EVENTS**

The District passed a 2.9 mill levy in November of 2000.

The District also adopted a 403 B plan that went into effect July 1, 2000 for non-certified employees and September 1, 2000 for certified employees.

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**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2000**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Grant Number	Receipts	Non-Cash Receipts	Disburse- ment	Non-Cash Disburse- ment
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>						
<i>Passed through the Ohio Department of Education</i>						
<i>Child Nutrition Cluster:</i>						
Food Distribution	10.550			\$41,043		\$47,870
National School Lunch	10.555	03-PU-99	\$4,302		\$4,302	
		03-PU-00	26,177		26,177	
		04-PU-99	4,948		4,948	
		04-PU-00	33,251		33,251	
Total - National School Lunch			<u>68,678</u>		<u>68,678</u>	
<i>Total Department of Agriculture - Child Nutrition Cluster</i>			<u>68,678</u>	<u>41,043</u>	<u>68,678</u>	<u>47,870</u>
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>						
<i>Passed through the Ohio Department of Education</i>						
<i>Special Education Cluster:</i>						
Special Education Grants to States (IDEA P	84.027	6B-SF-00P	136,847		136,847	
Special Education - Preschool Grant	84.173	PG-S1-00P	10,076		10,076	
Total - Special Education Cluster			146,923		146,923	
Grants to Local Educational Agencies						
Title I	84.010	C1-S1-99 C1-S1-00	103,285		103,285	
Class Size Reduction	84.340	CR-S1-00	8,584			
Goals 2000	84.276	G2-S5-99	30,000		39,385	
Innovative Educational Program Strategy	84.298	C2-S1-99 C2-S1-00	1,406 10,351		4,010 5,357	
Total - Innovative Educational Program			<u>11,757</u>		<u>9,367</u>	
Total Department of Education			<u>300,549</u>		<u>298,960</u>	
<b>TOTAL FEDERAL ASSISTANCE</b>			<u><u>\$369,227</u></u>	<u><u>\$41,043</u></u>	<u><u>\$367,638</u></u>	<u><u>\$47,870</u></u>

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

**PERKINS LOCAL SCHOOL DISTRICT  
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**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2000**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTION**

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



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

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

To the Board of Education:

We have audited the financial statements of Perkins Local School District, Erie County, Ohio, (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated December 20, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 20, 2000.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 20, 2000.

Perkins Local School District  
Erie County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
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This report is intended for the information and use of management, the Board of Education, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

December 20, 2000



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

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

To the Board of Education:

**Compliance**

We have audited the compliance of Perkins Local School District, Erie County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2000. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000.

**Internal Control Over Compliance**

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

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

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

**Jim Petro**  
Auditor of State

December 20, 2000



**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2000**

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

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

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

None.

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

None.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**PERKINS LOCAL SCHOOL DISTRICT**

**ERIE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 16, 2001**