

**PERRY LOCAL SCHOOL DISTRICT  
LAKE COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 1999**

PERRY LOCAL SCHOOL DISTRICT

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## REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education  
Perry Local School District  
Lake County  
4325 Manchester Street  
Perry, Ohio 44081

We have audited the accompanying general-purpose financial statements of the Perry Local School District, Lake County, Ohio, (the District), as of and for the year ended June 30, 1999, 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 Perry Local School District, Lake County, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types 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 February 11, 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 and contracts.

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

A handwritten signature in black ink, appearing to read "Jim Petro", is written over the printed name and title.

**JIM PETRO**  
Auditor of State

February 11, 2000

PERRY LOCAL SCHOOL DISTRICT  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 1999

	Governmental Fund Types				Proprietary Fund Types			Fiduciary Fund Types			Account Group		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Expendable Trust and Agency	General Fixed Assets	General Long-term Debt	General			
										General	Long-term Debt		
<b>ASSETS AND OTHER DEBITS:</b>													
Assets:													
Equity in pooled cash and investments	\$ 11,080,364	\$ 513,630	\$ 16,959	\$ 5,374,482	\$ 121,380	\$ 19,442	\$ 272,917	\$ -	\$ -	\$ -	\$ -	\$ 17,399,174	
Restricted cash	1,365,275	-	-	-	-	-	-	-	-	-	-	1,365,275	
Cash with fiscal agent	401,120	-	-	-	-	-	-	-	-	-	-	401,120	
Receivables:													
Taxes	29,159,100	-	40,486	-	-	-	-	-	-	-	-	29,199,586	
Accounts	5,034	-	-	-	-	-	-	-	-	-	-	5,034	
Accrued interest	203,887	-	-	-	-	-	-	-	-	-	-	203,887	
Intergovernmental	431,471	-	41	-	-	-	-	-	-	-	-	431,512	
Materials and supplies inventory	156,727	-	-	-	18,539	-	-	-	-	-	-	175,266	
Fixed assets (net, where applicable, of accumulated depreciation)	-	-	-	-	455,921	-	-	124,080,346	-	-	-	124,536,267	
Other Debits:													
Amount available in debt service fund	-	-	-	-	-	-	-	-	17,318	-	-	17,318	
Amount to be provided for retirement of general long-term debt	-	-	-	-	-	-	-	-	-	1,875,179	-	1,875,179	
<b>Total assets and other debits</b>	<b>\$ 42,802,978</b>	<b>\$ 513,630</b>	<b>\$ 57,486</b>	<b>\$ 5,374,482</b>	<b>\$ 565,840</b>	<b>\$ 19,442</b>	<b>\$ 272,917</b>	<b>\$ 124,080,346</b>	<b>\$ 1,892,497</b>	<b>\$ -</b>	<b>\$ 1,875,179</b>	<b>\$ 175,609,618</b>	

The accompanying notes are an integral part of the financial statements.

PERRY LOCAL SCHOOL DISTRICT - LAKE COUNTY  
 COMBINED BALANCE SHEET (CONTINUED)  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 1999

	Governmental Fund Types					Proprietary Fund Types			Fiduciary Fund Types			Account Group			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Expendable		General	Fixed Assets	Long-term Debt	Totals			
							Trust and Agency	Agency				General	Long-term Debt		
<b>LIABILITIES, FUND EQUITY AND OTHER CREDITS:</b>															
Liabilities:															
Accounts payable	\$ 675,881	\$ 4,775	\$ -	\$ -	\$ 2,329	\$ -	\$ 224	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 683,209
Accrued wages and benefits	1,906,387	10,346	-	-	34,562	-	46,366	-	-	-	-	-	-	-	1,997,661
Due to students	-	-	-	-	-	-	220,811	-	-	-	-	-	-	-	220,811
Claims payable	135,791	-	-	-	-	-	-	-	-	-	-	-	-	-	135,791
Compensated absences payable	184,532	391	-	-	25,884	-	-	-	-	1,716,122	-	-	-	-	1,926,929
Special termination benefits	60,000	-	-	-	1,305	-	-	-	-	-	-	-	-	-	61,305
Deferred revenue	29,373,156	-	39,993	-	12,452	-	-	-	-	-	-	-	-	-	29,425,601
Maturity interest payable	-	-	175	-	-	-	-	-	-	-	-	-	-	-	175
Other liability	34,897	-	-	-	-	-	-	-	-	-	-	-	-	-	34,897
General obligation bonds payable	-	-	-	-	-	-	-	-	-	30,000	-	-	-	-	30,000
Capital lease obligations	-	-	-	-	-	-	-	-	-	146,375	-	-	-	-	146,375
<b>Total liabilities</b>	<b>32,370,644</b>	<b>15,512</b>	<b>40,168</b>	<b>-</b>	<b>76,532</b>	<b>-</b>	<b>267,401</b>	<b>-</b>	<b>-</b>	<b>1,892,497</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34,662,754</b>	
<b>Fund Equity and Other Credits:</b>															
Investment in general fixed assets	-	-	-	-	-	-	-	124,080,346	-	-	-	-	-	-	124,080,346
Retained earnings:															
Unreserved	-	-	-	-	519,308	19,442	-	-	-	-	-	-	-	-	538,750
Fund balances:															
Reserved for encumbrances	2,968,673	81,534	-	-	-	-	-	-	-	-	-	-	-	-	3,040,207
Reserved for inventory	156,727	-	-	-	-	-	-	-	-	-	-	-	-	-	156,727
Reserved for debt service	-	-	17,318	-	-	-	-	-	-	-	-	-	-	-	17,318
Designated for budget stabilization	1,250,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,250,000
Budget Stabilization Reserve	115,275	-	-	-	-	-	-	-	-	-	-	-	-	-	115,275
Unreserved, undesignated	5,951,659	416,584	-	5,374,482	-	-	5,516	-	-	-	-	-	-	-	11,748,241
<b>Total fund equity and other credits</b>	<b>10,432,334</b>	<b>498,118</b>	<b>17,318</b>	<b>5,374,482</b>	<b>519,308</b>	<b>19,442</b>	<b>5,516</b>	<b>124,080,346</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>140,946,864</b>	
<b>Total liabilities, fund equity and other credits</b>	<b>\$ 42,802,978</b>	<b>\$ 513,630</b>	<b>\$ 57,486</b>	<b>\$ 5,374,482</b>	<b>\$ 595,840</b>	<b>\$ 19,442</b>	<b>\$ 272,917</b>	<b>\$ 124,080,346</b>	<b>\$ 1,892,497</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 175,609,618</b>	

The accompanying notes are an integral part of the financial statements.

**PERRY LOCAL SCHOOL DISTRICT - LAKE COUNTY**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 1989**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects		
<b>REVENUES:</b>						
Revenue from local sources:						
Taxes	\$ 26,394,851	\$ -	\$ 30,584	\$ -	\$ -	\$ 26,425,435
Transportation fees	20,960	-	-	-	-	20,960
Earnings on investments	795,266	-	-	220,277	-	1,015,543
Extracurricular activities	-	291,485	-	-	-	291,485
Classroom materials and fees	-	3,439	-	-	-	3,439
Miscellaneous receipts - local sources	48,906	26,875	-	35,638	5,041	116,460
Revenue from intermediate sources:						
Restricted grants-in-aid	-	21,000	-	-	-	21,000
Revenue from state sources:						
Unrestricted grants-in-aid	1,371,571	-	1,378	-	-	1,372,949
Restricted grants-in-aid	29,560	130,315	-	53,458	-	213,333
Revenue from federal sources:						
Restricted grants-in-aid	-	298,391	-	-	-	298,391
Total revenue	28,661,114	771,505	31,962	309,373	5,041	29,778,995
<b>EXPENDITURES:</b>						
Instruction:						
Regular	10,876,958	171,114	-	53,193	-	11,101,265
Special	658,420	-	-	-	-	658,420
Other	152,996	-	-	-	-	152,996
Supporting services:						
Pupils	868,811	42,616	-	-	-	911,427
Instructional staff	1,863,663	101,915	-	7,459	-	1,973,037
Board of Education	173,338	-	-	-	-	173,338
Administration	1,511,829	8,111	-	-	-	1,519,940
Fiscal services	641,013	3,175	402	-	-	644,590
Business	41,806	10,383	-	-	-	52,189
Operating and maintenance - plant	3,160,036	55	-	-	-	3,160,091
Pupil transportation	1,751,319	-	-	-	-	1,751,319
Central	90,284	-	-	-	-	90,284
Operation of non-instructional services:						
Community services	42,258	1,309	-	-	1,500	45,067
Extracurricular activities:						
Academic and subject oriented activities	130,953	154,229	-	-	-	285,182
Occupation oriented	1,106	-	-	-	-	1,106
Sports oriented	638,624	167,606	-	-	-	806,430
Co-curricular	63,398	126,881	-	-	-	190,279
Facilities acquisition and construction:						
Building acquisition and construction	2,157,215	-	-	-	-	2,157,215

Debt service:									
Repayment of debt	-	-	2,015,000	-	-	-	-	-	2,015,000
Interest	-	-	76,747	-	-	-	-	-	76,747
Total expenditures	24,824,226	787,394	2,092,149	60,652	1,500				27,765,921
Excess over (under) expenditures	3,836,888	(15,889)	(2,060,187)	248,721	3,541				2,013,074
<b>OTHER FINANCING SOURCES (USES):</b>									
Other financing sources:									
Sale of assets	18,769	-	-	4,913	-				23,682
Transfers in	-	330,698	2,059,610	1,000,000	-				3,390,308
Refund of prior year receipts	-	(34,837)	-	-	-				(34,837)
Refund of prior year expenditures	444,738	24,671	-	-	-				469,409
Other financing uses:									
Transfers-out	(3,604,306)	-	-	-	-				(3,604,306)
Total other financing sources (uses)	(3,140,801)	320,532	2,059,610	1,004,913	-				244,254
Revenues, receipts and other sources over (under) expenditures, disbursements and other uses	696,087	304,643	(577)	1,253,634	3,541				2,257,328
<b>BEGINNING FUND BALANCE</b>	9,730,630	193,475	17,896	4,120,848	1,975				14,064,823
<b>INCREASE IN RESERVE FOR INVENTORY</b>	5,617	-	-	-	-				5,617
<b>ENDING FUND BALANCE</b>	\$ 10,432,334	\$ 498,118	\$ 17,318	\$ 5,374,482	\$ 5,516				\$ 16,327,768

The accompanying notes are an integral part of the financial statements.

PERRY LOCAL SCHOOL DISTRICT - LAKE COUNTY  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET (NON-GAAP BASIS) AND ACTUAL  
 ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND  
 FOR THE YEAR ENDED JUNE 30, 1999

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>REVENUES</b>			
Taxes	\$ 24,612,364	\$ 24,612,364	\$ -
Tuition	30,185	30,185	-
Transportation fees	15,462	23,606	8,144
Earnings on Investments	738,819	743,446	4,627
Extracurricular activities	-	-	-
Classroom materials and fees	-	-	-
Miscellaneous	51,916	51,916	-
Restricted grants-in-aid - Intermediate	-	-	-
Unrestricted grants-in-aid - State	1,371,571	1,371,571	-
Restricted grants-in-aid - State	29,560	29,560	-
Restricted grants-in-aid - Federal	-	-	-
<b>Total revenues</b>	<b>26,849,877</b>	<b>26,862,648</b>	<b>12,771</b>
<b>EXPENDITURES</b>			
Instruction:			
Regular	11,048,837	11,044,441	4,396
Special	837,104	837,104	-
Vocational	103,117	103,117	-
Other	58,829	58,829	-
Support services:			
Pupil	872,564	872,146	418
Instructional staff	1,975,253	1,974,440	813
Board of Education	190,141	189,141	1,000
Administration	1,665,218	1,653,158	12,060
Fiscal services	623,004	621,707	1,297
Business	53,583	53,583	-
Operation and maintenance of plant	3,695,297	3,693,714	1,583
Pupil transportation	2,005,335	2,005,335	-
Central	96,627	96,267	360
Non-instructional services:			
Community services	61,523	61,498	25
Extracurricular activities			
Academic and subject oriented	96,977	96,977	-
Occupation oriented activities	1,106	1,106	-
Sports oriented	626,055	626,050	5
Co-curricular activities	63,398	63,398	-
Site improvement	2,748,765	2,738,765	10,000
Building acquisition and construction	980,993	980,993	-
Architecture and engineering	158,734	158,734	-
Repayment of debt	-	-	-
<b>Total expenditures</b>	<b>27,962,460</b>	<b>27,930,503</b>	<b>31,957</b>
Excess of revenue over (under) expenditures	(1,112,583)	(1,067,855)	44,728
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale and loss of assets	18,769	18,769	-
Transfers-In	-	-	-
Refund of prior year expenditures	444,738	444,738	-
Transfers-Out	(3,644,125)	(3,604,308)	39,817
Refund of prior year receipts	-	-	-
<b>Total other financing (uses)</b>	<b>(3,180,618)</b>	<b>(3,140,801)</b>	<b>39,817</b>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	(4,293,201)	(4,208,656)	84,545
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>9,882,207</b>	<b>9,882,207</b>	<b>-</b>
<b>PRIOR YEAR ENCUMBRANCES - APPROPRIATED</b>	<b>3,262,855</b>	<b>3,262,855</b>	<b>-</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 8,851,861</b>	<b>\$ 8,936,406</b>	<b>\$ 84,545</b>

The accompanying notes are an integral part of the financial statements

Special Revenue Fund			Debt Service Fund			Capital Projects Fund		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 30,050	\$ 30,050	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	200,259	220,277	20,018
291,485	291,485	-	-	-	-	-	-	-
3,439	3,439	-	-	-	-	-	-	-
26,875	26,875	-	-	-	-	35,638	35,638	-
21,000	21,000	-	-	-	-	-	-	-
-	-	-	1,378	1,378	-	-	-	-
133,079	130,315	(2,764)	-	-	-	-	53,458	53,458
390,418	298,391	(92,027)	-	-	-	-	-	-
886,286	771,505	(94,791)	31,428	31,428	-	235,897	309,373	73,476
284,212	242,491	41,721	-	-	-	53,458	53,249	209
28,852	28,852	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
68,991	63,666	5,325	-	-	-	-	-	-
124,362	108,354	16,008	-	-	-	7,567	7,567	-
-	-	-	-	-	-	-	-	-
116,894	11,552	105,342	-	-	-	-	-	-
8,913	3,175	5,738	402	402	-	-	-	-
40,085	10,383	29,702	-	-	-	-	-	-
55	55	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
10,584	1,309	9,275	-	-	-	-	-	-
156,548	156,548	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
175,963	175,963	-	-	-	-	-	-	-
139,849	139,460	389	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	2,091,835	2,091,835	-	-	-	-
1,155,308	941,808	213,500	2,092,237	2,092,237	-	61,025	60,816	209
(289,012)	(170,303)	118,709	(2,060,809)	(2,060,809)	-	174,872	248,557	73,685
-	-	-	-	-	-	4,913	4,913	-
335,348	330,698	(4,650)	2,064,750	2,059,610	(5,140)	1,000,000	1,000,000	-
-	24,671	24,671	-	-	-	-	-	-
(34,837)	(34,837)	-	-	-	-	-	-	-
300,511	320,532	20,021	2,064,750	2,059,610	(5,140)	1,004,913	1,004,913	-
11,499	150,229	138,730	3,941	(1,199)	(5,140)	1,179,785	1,253,470	73,685
229,261	229,261	-	3,510	3,510	-	4,120,006	4,120,006	-
49,191	49,191	-	14,646	14,646	-	843	843	-
\$ 289,951	\$ 428,681	\$ 138,730	\$ 22,097	\$ 16,957	\$ (5,140)	\$ 5,300,634	\$ 5,374,319	\$ 73,685

PERRY LOCAL SCHOOL DISTRICT - LAKE COUNTY  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
 BUDGET (NON-GAAP BASIS) AND ACTUAL  
 ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND  
 FOR THE YEAR ENDED JUNE 30, 1999

	Expendable Trust Fund			Totals (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>						
Taxes	\$ -	\$ -	\$ -	\$ 24,642,414	\$ 24,642,414	\$ -
Tuition	-	-	-	30,185	30,185	-
Transportation fees	-	-	-	15,462	23,606	8,144
Earnings on investments	-	-	-	939,078	963,723	24,645
Extracurricular activities	-	-	-	291,485	291,485	-
Classroom materials and fees	-	-	-	3,439	3,439	-
Miscellaneous	5,041	5,041	-	119,470	119,470	-
Restricted grants-in-aid - Intermediate	-	-	-	21,000	21,000	-
Unrestricted grants-in-aid - State	-	-	-	1,372,949	1,372,949	-
Restricted grants-in-aid - State	-	-	-	162,639	213,333	50,694
Restricted grants-in-aid - Federal	-	-	-	390,418	298,391	(92,027)
<b>Total revenues</b>	<b>5,041</b>	<b>5,041</b>	<b>-</b>	<b>27,988,539</b>	<b>27,979,985</b>	<b>(8,544)</b>
<b>EXPENDITURES</b>						
Instruction:						
Regular	-	-	-	11,386,507	11,340,181	46,326
Special	-	-	-	865,956	865,956	-
Vocational	-	-	-	103,117	103,117	-
Other	-	-	-	58,829	58,829	-
Support services:						
Pupil	-	-	-	941,555	935,812	5,743
Instructional staff	-	-	-	2,107,182	2,090,361	16,821
Board of Education	-	-	-	190,141	189,141	1,000
Administration	-	-	-	1,782,112	1,664,710	117,402
Fiscal services	-	-	-	632,319	625,284	7,035
Business	-	-	-	93,668	63,966	29,702
Operation and maintenance of plant	-	-	-	3,695,352	3,693,769	1,583
Pupil transportation	-	-	-	2,005,335	2,005,335	-
Central	-	-	-	96,627	96,267	360
Non-instructional services:						
Community services	1,500	1,500	-	73,607	64,307	9,300
Extracurricular activities						
Academic and subject oriented	-	-	-	253,525	253,525	-
Occupation oriented activities	-	-	-	1,106	1,106	-
Sports oriented	-	-	-	802,018	802,013	5
Co-curricular activities	-	-	-	203,247	202,858	389
Site improvement	-	-	-	2,748,765	2,738,765	10,000
Building acquisition and construction	-	-	-	980,993	980,993	-
Architecture and engineering	-	-	-	158,734	158,734	-
Repayment of debt	-	-	-	2,091,835	2,091,835	-
<b>Total expenditures</b>	<b>1,500</b>	<b>1,500</b>	<b>-</b>	<b>31,272,530</b>	<b>31,026,864</b>	<b>245,666</b>
<b>Excess of revenue over (under) expenditures</b>	<b>3,541</b>	<b>3,541</b>	<b>-</b>	<b>(3,283,991)</b>	<b>(3,046,869)</b>	<b>237,122</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale and loss of assets	-	-	-	23,682	23,682	-
Transfers-In	-	-	-	3,400,098	3,390,308	(9,790)
Refund of prior year expenditures	-	-	-	444,738	469,409	24,671
Transfers-Out	-	-	-	(3,644,125)	(3,604,308)	39,817
Refund of prior year receipts	-	-	-	(34,837)	(34,837)	-
<b>Total other financing (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>189,556</b>	<b>244,254</b>	<b>54,698</b>
<b>Excess of revenues and other financing sources over (under) expenditures and other financing (uses)</b>	<b>3,541</b>	<b>3,541</b>	<b>-</b>	<b>(3,094,435)</b>	<b>(2,802,615)</b>	<b>291,820</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>1,975</b>	<b>1,975</b>	<b>-</b>	<b>14,236,959</b>	<b>14,236,959</b>	<b>-</b>
<b>PRIOR YEAR ENCUMBRANCES - APPROPRIATED</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,327,535</b>	<b>3,327,535</b>	<b>-</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 5,516</b>	<b>\$ 5,516</b>	<b>\$ -</b>	<b>\$ 14,470,059</b>	<b>\$ 14,761,879</b>	<b>\$ 291,820</b>

The accompanying notes are an integral part of the financial statements

**PERRY LOCAL SCHOOL DISTRICT - LAKE COUNTY**  
**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS**  
**ALL PROPRIETARY FUND TYPES**  
**FOR THE YEAR ENDED JUNE 30, 1999**

	Enterprise Funds	Internal Service Funds	Totals (Memorandum Only)
<b>OPERATING REVENUES:</b>			
Food services	\$ 665,140	\$ -	\$ 665,140
Extracurricular activities	2,573	24,763	27,336
Classroom materials and fees	620	-	620
Miscellaneous revenue	64,341	8,381	72,722
Total operating revenues	<u>732,674</u>	<u>33,144</u>	<u>765,818</u>
<b>OPERATING EXPENSES:</b>			
Personal services - salaries	356,690	-	356,690
Employees' retirement and insurance	173,064	-	173,064
Purchased services	69,872	32,357	102,229
Supplies and materials	357,208	1,538	358,746
Other objects	418	3,090	3,508
Depreciation	35,820	-	35,820
Total operating expenses	<u>993,072</u>	<u>36,985</u>	<u>1,030,057</u>
Operating loss	<u>(260,398)</u>	<u>(3,841)</u>	<u>(264,239)</u>
<b>NON-OPERATING REVENUES AND EXPENSES:</b>			
Federal sources:			
Unrestricted grants-in-aid	75,385	-	75,385
Total non-operating revenues	<u>75,385</u>	<u>-</u>	<u>75,385</u>
Net loss before interfund transfers	(185,013)	(3,841)	(188,854)
<b>TRANSFERS IN</b>	206,022	14,000	220,022
<b>TRANSFERS OUT</b>	<u>(6,022)</u>	<u>-</u>	<u>(6,022)</u>
Net income	14,987	10,159	25,146
<b>BEGINNING RETAINED EARNINGS</b>	<u>504,321</u>	<u>9,283</u>	<u>513,604</u>
<b>ENDING RETAINED EARNINGS</b>	<u>\$ 519,308</u>	<u>\$ 19,442</u>	<u>\$ 538,750</u>

The accompanying notes are an integral part of the financial statements.

**PERRY LOCAL SCHOOL DISTRICT - LAKE COUNTY**  
**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY**  
**BUDGET (NON-GAAP BASIS) AND ACTUAL**  
**ALL PROPRIETARY FUND TYPES**  
**FOR THE YEAR ENDED JUNE 30, 1999**

	Enterprise Funds			Internal Service Funds			Totals (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>OPERATING REVENUES</b>									
Food service	\$ 680,462	\$ 665,940	\$ 5,478	\$ -	\$ -	\$ -	\$ 660,462	\$ 665,940	\$ 5,478
Extracurricular activities	2,573	2,573	-	24,763	24,763	-	27,336	27,336	-
Classroom materials and fees	620	620	-	-	-	-	620	620	-
Miscellaneous	63,852	63,852	-	8,381	8,381	-	72,233	72,233	-
Total operating revenues	727,507	732,985	5,478	33,144	33,144	-	760,651	766,129	5,478
<b>OPERATING EXPENSES</b>									
Salaries and wages	375,841	375,841	-	-	-	-	375,841	375,841	-
Fringe benefits	180,593	179,834	759	-	-	-	180,593	179,834	759
Contractual services	80,614	70,164	10,450	33,303	32,357	946	113,917	102,521	11,396
Supplies and materials	431,934	380,159	51,775	1,538	1,538	-	433,472	381,697	51,775
Capital outlay	7,314	7,314	-	-	-	-	7,314	7,314	-
Other operating expenses	418	418	-	3,090	3,090	-	3,508	3,508	-
Total operating expenses	1,076,714	1,013,730	62,984	37,931	36,985	946	1,114,645	1,060,715	63,930
Operating gain (loss)	(349,207)	(280,745)	68,462	(4,787)	(3,841)	946	(353,994)	(284,586)	69,408
<b>NON-OPERATING REVENUE</b>									
Earnings on investments	489	489	-	-	-	-	489	489	-
Restricted grants in aid - state	11,242	2,820	8,422	-	-	-	11,242	2,820	8,422
Unrestricted grants in aid - federal	76,573	84,996	8,423	-	-	-	76,573	84,996	8,423
Transfers-In	206,022	206,022	-	14,000	14,000	-	220,022	220,022	-
Transfers-Out	(6,022)	(6,022)	-	-	-	-	(6,022)	(6,022)	-
Total non-operating revenues	288,304	288,305	1	14,000	14,000	-	302,304	302,305	1
Excess of revenues over (under) expenses, advances and operating transfers	(60,903)	7,560	68,463	9,213	10,159	946	(51,690)	17,719	69,409
<b>FUND EQUITY - BEGINNING OF YEAR</b>	55,401	55,401	-	8,814	8,814	-	64,215	64,215	-
<b>PRIOR YEAR ENCUMBRANCES-APPROPRIATED</b>	58,422	58,422	-	468	468	-	58,890	58,890	-
<b>FUND EQUITY - END OF YEAR</b>	\$ 52,920	\$ 121,383	\$ 68,463	\$ 18,495	\$ 19,441	\$ 946	\$ 71,415	\$ 140,824	\$ 69,409

The accompanying notes are an integral part of the financial statements.

**PERRY LOCAL SCHOOL DISTRICT - LAKE COUNTY  
 COMBINED STATEMENT OF CASH FLOWS  
 ALL PROPRIETARY FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 1999**

	Enterprise Funds	Internal Service Funds	Totals (Memorandum Only)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Operating loss	\$ (260,398)	\$ (3,841)	\$ (264,239)
<b>ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</b>			
Depreciation	35,820	-	35,820
Donated consumables	34,306	-	34,306
Net (increase) decrease in assets:			
Inventory	(3,038)	-	(3,038)
Intergovernmental receivables	12,431	-	12,431
Accounts receivable	800	-	800
Net increase (decrease) in liabilities:			
Accounts payable	(24,464)	-	(24,464)
Accrued wages and benefits	(10,584)	-	(10,584)
Compensated absences	(960)	-	(960)
Special termination benefits	(12,216)	-	(12,216)
Deferred revenue	2,097	-	2,097
Total adjustments	<u>34,192</u>	<u>-</u>	<u>34,192</u>
Net cash used in operating activities	<u>(226,206)</u>	<u>(3,841)</u>	<u>(230,047)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Operating grants received	41,079	-	41,079
Transfer from other funds	206,022	14,000	220,022
Interfund transfers	(6,022)	-	(6,022)
	<u>241,079</u>	<u>14,000</u>	<u>255,079</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition of fixed assets	(7,314)	-	(7,314)
Net increase (decrease) in cash and cash equivalents	7,559	10,159	17,718
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>113,821</u>	<u>9,283</u>	<u>123,104</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 121,380</u>	<u>\$ 19,442</u>	<u>\$ 140,822</u>

The accompanying notes are an integral part of the financial statements.

**PERRY LOCAL SCHOOL DISTRICT  
LAKE COUNTY  
NOTES TO FINANCIAL STATEMENTS**

**DESCRIPTION OF THE DISTRICT**

The Perry Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under a five-member elected Board of Education and is responsible for the provision of public education to residents of the District.

The District is located in Lake County.

Average daily membership (ADM) as of June 1, 1999 was 1,922. The District employed 147 certificated employees and 113 noncertificated employees. It currently operates one elementary school, one middle school and one high school.

**DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**FINANCIAL REPORTING ENTITY**

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, the financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state and local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds and account groups of those organizational entities for which its elected governing body is financially accountable. The District's major operations include education, pupil transportation, food service and maintenance of District facilities.

The District participates in five jointly governed organizations, a public entity risk pool and a claims servicing pool that are further described in the notes to the financial statements.

**BASIS OF PRESENTATION**

The accounting policies of the District conform to generally accepted accounting principles (GAAP) as applicable to governments.

The financial transactions of the District are recorded in individual funds and account groups. The various funds and account groups are reported by type in the general purpose financial statements. Amounts in the "totals - memorandum only" columns in the general purpose financial statements represent a summation of the combined financial statement line items of the fund types and account groups and are presented only for analytical purposes. The summation includes fund types and account groups that use different basis of accounting, interfund transactions that have not been eliminated, and the caption "amounts to be provided", which does not represent an asset. Consequently, amounts shown in the "totals - memorandum only" columns are not comparable to a consolidation and do not represent the total resources available or total revenues and expenditures/expenses of the District.

PERRY LOCAL SCHOOL DISTRICT  
LAKE COUNTY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The District uses the following fund categories, fund types and account groups:

**Governmental Fund Types**

Governmental Fund Types are accounted for on a flow of current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources (revenues and other financing sources) and uses (expenditures and other financing uses) of "available spendable resources" during a period.

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

Special Revenue Funds - Special revenue funds are used to account for revenue from specific sources (other than expendable trust or major capital projects) which require separate accounting because of legal restrictions requiring that expenditures be for specified purposes.

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

Capital Projects Fund - The capital projects fund is used to account for revenues and expenditures related to the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

**Proprietary Fund Types**

Proprietary Fund Types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund measurement focus is upon determination of net income, financial position and cash flows.

Enterprise Funds - Enterprise funds are used to account for operations where the intention is to finance such operations primarily through user charges or to where the District has decided that the periodic determination of revenues, expenses and net income is appropriate.

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

**Fiduciary Fund Types**

Expendable Trust Fund - Expendable trust fund is used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations or other governmental units on a cost-reimbursement basis.

**PERRY LOCAL SCHOOL DISTRICT  
LAKE COUNTY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Agency Fund - The agency fund accounts are for the resources that belong to the student bodies of the various schools, accounting for sales and other revenue-generating activities. Agency funds are custodial in nature and do not involve measurement of results of operations.

**Account Groups**

Account groups are used to establish accounting control and accountability for the District's general fixed assets and general long-term debt.

General Fixed Assets - General fixed assets are used to account for capital assets used in general government operations with a useful life of greater than one year (other than those accounted for in Proprietary Funds).

General Long-Term Debt - General long-term debt is used to account for all long-term obligations of the District, except for those accounted for in Proprietary Funds. These obligations are secured by the credit of the District as a whole and are payable from general government resources or assessments against property owners.

**BASIS OF ACCOUNTING**

Governmental and Fiduciary Fund Types are accounted for on the modified accrual basis of accounting. Governmental revenues are recognized when they become measurable and available to finance expenditures of the current period. A 60-day available period is used. Revenue items, which are susceptible to accrual and therefore are recorded as receivables, include property taxes and reimbursable-type grants. Expenditures are recognized when the related fund liability is incurred, with the exception of accumulated unpaid employee compensation, which is not payable from current expendable financial resources.

Proprietary Fund Types are accounted for on the accrual basis of accounting. Their revenues are recognized in the period earned and expenses are recognized in the period incurred. There were no unbilled service charges receivable at year end.

With respect to the proprietary activities, the District has adopted GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Units that Use Proprietary Fund Accounting". The District has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board pronouncements and Accounting Principles Board Opinions issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements.

**BUDGETARY BASIS OF ACCOUNTING**

The District is required by State statute to adopt an annual appropriated budget for all fund types except agency funds. The specific timetable is as follows:

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

**PERRY LOCAL SCHOOL DISTRICT  
LAKE COUNTY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

2. By no later than January 20, the board-adopted budget is filed with the Lake County Budget Commission (the "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 Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing 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 of estimated resources 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.
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 are the legal levels 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 Commission and the total of expenditures and encumbrances may not exceed the appropriation at the legal level of control.
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 to be employed as a management control device during the year for all funds consistent with statutory provision.
7. Appropriation amounts are amended by the Board of Education throughout the year by supplemental appropriations, which either reallocate, increase or decrease the original appropriated amounts. The Board legally enacts all supplemental appropriations.
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.

The District's budget (budget basis) accounts for certain transactions on a basis, which differs from generally accepted accounting principles (GAAP basis). The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash for budget purposes as opposed to when susceptible to accrual for GAAP purposes.
2. Expenditures are recorded when paid in cash or encumbered for budget purposes as opposed to when the liability is susceptible to accrual for GAAP purposes.

**PERRY LOCAL SCHOOL DISTRICT  
LAKE COUNTY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

An analysis of the difference in fund balance for all governmental and proprietary fund types and expendable trust fund at June 30, 1999 as determined under the GAAP basis and budget basis follows:

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Expend- able Trust Fund	Enter- prise Fund	Internal Service Fund
GAAP basis-fund balance	\$ 10,432,334	\$ 498,118	\$ 17,318	\$ 5,374,482	\$ 5,516	\$ 519,308	\$ 19,442
Adjustments for GAAP basis:							
Accrued revenue/prepaid expenses at June 30, 1999	(30,282,259)	--	(40,527)	--	--	(474,460)	--
Accrued expenditures/deferred revenues at June 30, 1999	32,370,644	15,512	40,166	(163)	--	76,535	(1)
Encumbrances outstanding at June 30, 1999 (budget basis)	(3,584,313)	(84,949)	--	--	--	--	--
Budget basis - fund balance	<u>\$ 8,936,406</u>	<u>\$ 428,681</u>	<u>\$ 16,957</u>	<u>\$ 5,374,319</u>	<u>\$ 5,516</u>	<u>\$ 121,383</u>	<u>\$ 19,441</u>

**ENCUMBRANCES**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control. On the GAAP basis, encumbrances are reported as a reservation of fund balance in all Governmental Fund Types.

**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 District records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the combined balance sheet.

During fiscal year 1999, all investments of the District had a maturity of two years or less. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

The District has invested funds in the State Treasury Assets Reserve (STAR Ohio) during fiscal year 1999. 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, 1999.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$ 795,266.

**PERRY LOCAL SCHOOL DISTRICT  
LAKE COUNTY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are considered to be investments.

**INVENTORY**

Inventories are valued at cost, which approximates market, using the first-in, first-out method (FIFO) and are determined by physical count. Inventory in Governmental Fund Types consists of expendable supplies held for consumption. The cost of inventory items is recognized as an expenditure when used (*consumption method*). Reported inventories in the general fund are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation. Inventories of proprietary funds consist of donated food and purchased food held for resale and are expensed when used.

**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 does not possess any infrastructure.

Proprietary Funds - Equipment reflected in the Proprietary Funds is stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Contributed equipment is recorded at its fair market value as of the date donated. Depreciation has been provided on a straight-line basis for equipment over a 10-year useful life.

**INTERFUND TRANSACTIONS**

During the course of normal operations, the District has numerous transactions between funds, including expenditures and transfers of resources to provide services and improve assets. Operating subsidies are recorded as operating transfers. The classification of amounts recorded as subsidies, advances or equity contributions is based on the intent of the District at the time of the transaction.

**RESTRICTED CASH**

Restricted cash in the general fund represents cash and cash equivalents set aside for statutory reserves and designations. These reserves and designations are required by State statute and can be used only for qualifying expenditures of textbooks, instructional materials, capital acquisitions and maintenance or after receiving approval from the State unless certain conditions are met. A fund reserve has also been established.

**PERRY LOCAL SCHOOL DISTRICT  
LAKE COUNTY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**FUND BALANCE RESERVES AND DESIGNATIONS**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Designations represent tentative plans for future use of financial resources. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, debt service, inventories of supplies and materials, property taxes, textbooks, capital improvements and budget stabilization.

**DEFICIT FUND BALANCE**

Fund balances at June 30, 1999 included the following individual fund deficit:

<u>Special Revenue Funds:</u>	Deficit
Title VI	Fund
	<u>Balance</u>
	\$ (529)

The deficit is due to the timing differences in recording revenues and paying expenditures.

**EQUITY IN POOLED CASH AND INVESTMENTS**

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

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

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

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

**PERRY LOCAL SCHOOL DISTRICT  
LAKE COUNTY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**EQUITY IN POOLED CASH AND INVESTMENTS (CONTINUED)**

2. Bonds, notes, debentures or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptance and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held until maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At June 30, 1999, the District's general fund had a balance of \$ 401,120 with Lake County Council of Governments Health Care Benefits Program, a claims servicing pool (See Claims Servicing Pool Note). The money is held by the claims servicer in a pooled account which is representative of numerous entities and, therefore, cannot be classified by risk under GASB No. 3. The classification of cash and cash equivalents and investments for the Lake County Council of Governments Health Care Benefits Program Self Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Mentor City School District. To obtain financial information, write to Mr. James Metz, Treasurer, Mentor City School District, 6451 Center Street, Mentor, Ohio 44060.

GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including repurchase agreements), and Reverse Repurchase Agreements", requires disclosures to help assess actual and potential future deposit and investment market and credit risks. The following information regarding deposits and investments is presented using the categories of risk identified in GASB Statement No. 3.

- (a) Deposits - At year end, the carrying amount of the District's deposits was \$ 780,457 and the bank balance was \$ 1,142,556. The bank balance is categorized as follows:

Amount insured by the FDIC	\$ 200,000
Collateralized with securities held by the pledging financial institution's trust department but not in the name of Perry Local Schools	\$ 942,556

**PERRY LOCAL SCHOOL DISTRICT  
LAKE COUNTY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**EQUITY IN POOLED CASH AND INVESTMENTS (CONTINUED)**

(b) Investments - Investments made by the District as of June 30, 1999 recorded at fair value are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

- Category 1 - Insured or registered, or investments held by the District or its agents in the District's name.
- Category 2 - Uninsured and unregistered, with investments held by the counterparty's trust department or agent in the District's name.
- Category 3 - Uninsured and unregistered, with investments held by the counterparty, or by its trust department or agent, but not in the District's name.

	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Federal Home Loan Mortgage Corporation (Category 2)	\$ 1,353,704	\$ 1,341,495	\$ (12,209)
Federal National Mortgage Association Notes (Category 2 - \$ 6,028,873, Category 3 \$ 1,503,647)	7,532,520	7,514,546	(17,974)
Federal Home Loan Bank Notes (Category 2)	2,005,619	1,995,400	(10,219)
Corporate Cash (Category 3)	227,433	227,433	--
Investment in STAR Ohio	<u>6,905,118</u>	<u>6,905,118</u>	--
Total	<u>\$ 18,024,394</u>	<u>\$ 17,983,992</u>	<u>\$ (40,402)</u>

STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

**INTERFUND TRANSACTIONS**

A summary of interfund transfers made during 1999 by fund is as follows:

	<u>Transferred From</u>	<u>Transferred To</u>
General fund	\$ 3,604,308	\$ --
Special revenue funds	--	330,698
Debt service funds	--	2,059,610
Capital projects funds	--	1,000,000
Enterprise funds	6,022	206,022
Internal service funds	--	14,000
	<u>\$ 3,610,330</u>	<u>\$ 3,610,330</u>

**PROPERTY TAXES**

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, at true value (normally 35% of cost). 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 \$ 806,872,622. Agricultural/residential and other real estate represented 32% (\$ 254,278,610) of this total; public utility tangible property 50% (\$ 405,277,130) and general tangible property 18% (\$ 147,316,882). The general tax rate for operations for the fiscal year ended June 30, 1999 was \$ 40.20 per \$ 1,000 of assessed valuation and .05 per \$ 1,000 of assessed valuation for debt retirement.

**PERRY LOCAL SCHOOL DISTRICT  
LAKE COUNTY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**PROPERTY TAXES (CONTINUED)**

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. Under certain circumstances, State statute permits earlier or later payment dates to be established.

The Lake County Treasurer remits portions of the taxes collected to all taxing Districts with periodic settlements of real and public utility property taxes in February and August and tangible personal property taxes in June and October. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 is recognized as revenue. The amount available to the District as an advance at June 30, 1999 was \$ 217,415 for the General Fund and \$ 534 in the Debt Service Fund.

**OTHER LIABILITY**

A taxpayer has made duplicate personal property tax payments on certain property physically located at the Perry Nuclear Plant. By agreement between the County and the taxpayer, repayment of the current liability will occur August 1999 through March 2000. The District's portion of the amount owed at June 30, 1999 is \$ 34,897, which is recorded as a liability of the General Fund.

**LAKE COUNTY SCHOOL FINANCING DISTRICT**

The Board of Education of the Lake County Educational Service Center has, by a resolution adopted February 6, 1990, pursuant to Section 3311.50 of the Revised Code, created a county school financing district known as the Lake County School Financing District (the "Financing District") for the purpose of levying taxes for the provision of the following specified educational programs and services by the school districts that are part of the District: the provision of necessary personnel, materials, supplies and transportation for instruction in language arts, social studies, mathematics, fine and practical arts, health and physical education, science and business education.

The Board of Education of the Lake County Educational Service Center acts as the taxing authority of the Financing District pursuant to Section 3311.50 of the Revised Code. The Financing District receives settlements of taxes levied and distributes within ten days to each of the Member Districts (including Perry Local School District) each of such Member District's proportionate share of that tax settlement. Each Member District's proportionate share is a fraction, the numerator being Member District's total pupil population and the denominator being the aggregate pupil population of all Member Districts as of that date. In 1999, the District received \$ 1,060,067.

Taxes collected by the Financing District available to the District at June 30 are recorded as receivables and revenue for the current fiscal year. Uncollected taxes outstanding received by the Financing District within 60 days after the fiscal year are recorded as a receivable and deferred revenue for they are measurable but not available to the District. The receivable is included in the account "Receivables-Intergovernmental".

**PERRY LOCAL SCHOOL DISTRICT  
LAKE COUNTY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**FIXED ASSETS**

A summary of changes in the General Fixed Assets Account Group is as follows:

	<u>Balance</u> <u>July 1, 1998</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 1999</u>
Land	\$ 12,467,759	\$ --	\$ --	\$ 12,467,759
Building and improvements	94,030,875	2,037,255	--	96,068,130
Furniture and equipment	11,862,514	1,343,326	--	13,205,840
Vehicles	1,829,505	212,498	--	2,042,003
Equipment under capital lease	296,614	--	--	296,614
<b>Total</b>	<b>\$ 120,487,267</b>	<b>\$ 3,693,079</b>	<b>\$ --</b>	<b>\$ 124,080,346</b>

A summary of Enterprise Fund fixed assets at June 30, 1999 follows:

	<u>Balance</u> <u>July 1, 1998</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 1999</u>
Equipment	\$ 821,796	\$ 7,314	\$ --	\$ 829,110
Accumulated depreciation	(337,369)	(35,820)	--	(373,189)
<b>Net fixed assets</b>	<b>\$ 484,427</b>	<b>\$ (28,506)</b>	<b>\$ --</b>	<b>\$ 455,921</b>

**CAPITALIZED LEASES - EQUIPMENT**

The District has entered into several capitalized leases for the acquisition of copiers. The terms of each agreement provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term.

The following is a schedule of future minimum lease payments required under the capital leases and the present value of the minimum lease payment as of June 30, 1999:

<u>Year Ending June 30,</u>	<u>Amount</u>
2000	\$ 105,753
2001	105,753
2002	14,080
	<u>225,586</u>
Interest	79,211
Total payments	<u>\$ 146,375</u>

	<u>Balance at</u> <u>July 1,</u> <u>1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30,</u> <u>1999</u>
Lease obligations	\$ 207,125	\$ --	\$ 60,750	\$ 146,375

**GENERAL OBLIGATION BONDS**

All bonds outstanding 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 debt account group. Payments of principal and interest relating to these liabilities are recorded as expenditures in the debt service fund. The source of repayment is derived from taxes levied on all taxable property in the District.

**PERRY LOCAL SCHOOL DISTRICT  
LAKE COUNTY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**GENERAL OBLIGATION BONDS (CONTINUED)**

The following is a schedule of bonds outstanding at June 30, 1999 for the District:

	<u>Facilities Acquisition</u>	<u>School Improvements</u>	<u>Total</u>
Interest rate	4.13%	6.88%	
Issue date	11/01/95	02/01/79	
Maturity date	06/01/99	12/01/00	
Amount outstanding beginning of year	\$ 2,000,000	\$ 45,000	\$ 2,045,000
Principal redemptions during year	<u>2,000,000</u>	<u>15,000</u>	<u>2,015,000</u>
Amount outstanding end of year	<u>\$ —</u>	<u>\$ 30,000</u>	<u>\$ 30,000</u>

The District's future annual debt service requirements for debt is as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 15,000	\$ 1,547	\$ 16,547
2001	<u>15,000</u>	<u>516</u>	<u>15,516</u>
Totals	<u>\$ 30,000</u>	<u>\$ 2,063</u>	<u>\$ 32,063</u>

The District has utilized trustees to service the general obligation bonds. Payments to the trustees are recorded as disbursements in the year deposited with the trustee.

**COMPENSATED ABSENCES**

The criteria for determining vesting vacation and sick leave components is derived from negotiated agreements and State laws. In summary, the components of vesting are as follows:

<u>Vacation</u>	<u>Certificated</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How earned	Not eligible	Per Contract	10-25 days depending on length of service after 1 year of service
Maximum Accumulation	Not applicable	60 days	Non-cumulative
Vested	Not applicable	As earned	As earned
Termination Entitlement	Not applicable	Paid upon termination	Paid upon termination
<u>Sick Leave</u>			
How earned	1¼ days per month of employment (15 days per year)	1¼ days per month of employment (15 days per year)	1¼ days per month of employment (15 days per year)
Maximum Accumulation	354 days	354 days	288 days
Vested	As earned	As earned	As earned
Termination Entitlement	1/3 of accumulated sick leave up to 270 days Special 15-year provision Special 20-year provision	Per contract	1/3 of accumulated sick leave up to 270 days Special 15-year provision Special 20-year provision

**PERRY LOCAL SCHOOL DISTRICT  
LAKE COUNTY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**COMPENSATED ABSENCES (CONTINUED)**

According to GASB Statement No. 16, accumulated vacation and sick leave of Government Fund type employees meeting the eligibility requirements have been recorded in the appropriate Governmental Funds as a current liability to the extent that the amounts are expected to be payable within the current period. The balance of the liability is recorded in the General Long-Term Debt Account Group. Vacation and sick leave for employees paid from the Proprietary Fund is recorded as an expense when earned or accrued. The District calculates sick leave using the vesting method based on accumulated benefits.

**CHANGES IN GENERAL LONG-TERM DEBT ACCOUNT GROUP**

During the year ended June 30, 1999, the following changes occurred in liabilities reported in the General Long-Term Debt Account Group. Compensated absences will be paid from the fund from which the employee is paid.

	Balance July 1, 1998	Increase (Decrease)	Balance June 30, 1999
Accrued severance pay	\$ 1,479,847	\$ 100,098	\$ 1,579,945
Accrued vacation leave	114,018	22,159	136,177
General Obligation Debt:			
Bond retirement	2,045,000	(2,015,000)	30,000
Capital leases	207,125	(60,750)	146,375
Total	<u>\$ 3,845,990</u>	<u>\$ (1,953,493)</u>	<u>\$ 1,892,497</u>

**SPECIAL TERMINATION BENEFITS**

During 1999, the District offered an early retirement incentive payment to eligible employees. It is anticipated that these payments would be cost effective through reduction of staff and replacement of teachers at the top end of the salary schedule with lower cost, less experienced teachers.

At June 30, 1999, special terminations outstanding were \$ 61,305.

**SEGMENT INFORMATION ON ENTERPRISE FUNDS**

The District maintains eight enterprise funds to account for food service operations, uniform school supplies, middle school bookstore, industrial arts, high school bookstore, community fitness center, wood fund and Perri Tech fund. The more significant financial information for these funds is as follows:

	Food <u>Service</u>	Uniform School <u>Supplies</u>	Middle School Book- <u>store</u>	Indus- trial <u>Arts</u>	High Commu- School Book- Fitness <u>store Fund</u>	Wood <u>Fund</u>	Perri- tech <u>Fund</u>	<u>Totals</u>
Operating revenues	\$ 668,669	\$ --	\$ 2,366	\$ 620	\$ 136	\$ 63,283	\$ --	\$ 732,674
Operating expenses before depreciation	\$ 884,102	\$ --	\$ 1,658	\$ 3,569	\$ 68	\$ 67,855	\$ --	\$ 957,252
Depreciation	\$ 35,060	\$ --	\$ --	\$ --	\$ --	\$ 760	\$ --	\$ 35,820
Operating income (loss)	\$ (253,493)	\$ --	\$ 708	\$ (2,949)	\$ 68	\$ (5,332)	\$ --	\$ (260,398)
Unrestricted grants	\$ 75,385	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 75,385
Transfers	\$ 200,000	\$ (6,022)	\$ --	\$ 6,022	\$ --	\$ --	\$ --	\$ 200,000
Net income (loss)	\$ 21,892	\$ (6,022)	\$ 708	\$ 3,073	\$ 68	\$ (5,332)	\$ --	\$ 14,987
Fixed asset additions	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 7,314	\$ --	\$ 7,314
Net working capital	\$ 46,165	\$ --	\$ 3,810	\$ 5,660	\$ 598	\$ 6,471	\$ 93	\$ 63,387
Total assets	\$ 568,902	\$ --	\$ 3,810	\$ 5,660	\$ 598	\$ 16,177	\$ 93	\$ 596,840
Total liabilities	\$ 76,532	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 76,532
Total equity	\$ 492,370	\$ --	\$ 3,810	\$ 5,660	\$ 598	\$ 16,177	\$ 93	\$ 519,308

**PERRY LOCAL SCHOOL DISTRICT  
LAKE COUNTY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**DEFINED BENEFIT PENSION PLANS**

School Employees Retirement System - The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit 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, OH 43215-3634 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998 and 1997 were \$ 466,220, \$ 449,593 and \$ 426,251, respectively, equal to the required contributions for each year. The District pays fund pension obligations when incurred.

State Teachers Retirement System - The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides 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, OH 43215-3771 or by calling (614) 227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998 and 1997 were \$ 1,203,635, \$ 1,317,448 and \$ 1,276,653, respectively; equal to the required contributions for each year. The District pays fund pension obligations when incurred.

**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-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1999, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$ 298,745.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the fund was \$ 2,156 million at June 30, 1998. For the year ended June 30, 1998, net health care costs paid by STRS were \$ 219,224,000 and STRS had 91,999 eligible benefit recipients.

**PERRY LOCAL SCHOOL DISTRICT  
LAKE COUNTY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**POSTEMPLOYMENT BENEFITS (CONTINUED)**

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit, must pay a portion of their premium for health care. 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 6.3 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 members pay, prorated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$ 12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125% of annual health care expenses. Expenses for health care at June 30, 1998 were \$ 111,900,575 and the target level was \$ 139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$ 160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$ 165,834 during the 1999 fiscal year.

**CONTINGENT LIABILITIES**

Grants - The District receives 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 the overall financial position of the District at June 30, 1999.

Litigation - The District was named as defendant in several court actions during the period ended June 30, 1999. Management does not believe that the ultimate resolution of these cases will have a material impact on the general purpose financial statements of the District.

State 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 Ohio General Assembly to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the District. During the fiscal year ended June 30, 1999, the District received \$ 766,506 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly 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 has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of 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.

PERRY LOCAL SCHOOL DISTRICT  
LAKE COUNTY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**JOINTLY GOVERNED ORGANIZATIONS**

**The Lake-Geauga Computer Association (LGCA)** is a jointly governed organization among two county consortium of Ohio school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports LGCA based on a per pupil charge. LGCA is governed by an Assembly consisting of two representatives from each participating school district. The degree of control exercised by any participating school district is limited to its representation on the Assembly. Continued existence of the LGCA Computer Center is not dependent on the District's continued participation. Financial information can be obtained from LGCA, 8140 Auburn Road, Painesville, OH 44077.

**The East Shore Center** is a jointly governed organization that was formed for the purpose of providing special education for the handicapped children in the sixteen (16) member school districts. The governing board consists of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation of the governing board. East Shore Center is not accumulating significant financial resources or experiencing fiscal distress, which would cause additional financial benefit or burden on the District. Financial information can be obtained by writing the fiscal agent, Mentor Exempted Village School District, 6451 Center Street, Mentor, OH 44060.

**The East Shore Regional Transportation System (ESRTA)** is a jointly governed organization that was formed for the purpose of providing a transportation system for the handicapped children in the sixteen (16) member school districts. The transportation committee governing board consists of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation of the governing board. ESRTA is not accumulating significant financial resources or experiencing fiscal distress, which would cause additional financial benefit or burden on the District. Financial information can be obtained by writing the fiscal agent, Kirtland Board of Education, 9152 Chillicothe Road, Kirtland, OH 44094.

**The Auburn Career Center** is a joint vocational school district, which is a jointly governed organization among eleven school districts. Each participating school district appoints one member to the Auburn Career Center's Board of Education. The students of each participating school district may attend classes offered at the vocational facility. Each participant's control over the operation of the Auburn Career Center is limited to representation on the Board. Continued existence of the Auburn Career Center is not dependent on the District's continued participation. Financial information can be obtained by writing the Auburn Career Center, 8140 Auburn Road, Painesville, OH 44077.

**The Ohio Schools Council Association (Council)** is a jointly governed organization among eighty-two school districts. The jointly governed organization was formed to bring quality products and services at the lowest possible cost to the member districts. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 1999, the District paid \$ 500 to the Council. Financial information can be obtained by contacting Joseph Lesak, the Executive Secretary of the Ohio Schools Council at 155 Center Road, Bedford Heights, OH 44146.

The District participates in the Council's electric purchase program, which was implemented during fiscal year 1998. This program allows school districts to purchase electricity at reduced rates, if the school districts will commit to participating for an eight-year period. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage for the year and any necessary adjustments are made.

**PERRY LOCAL SCHOOL DISTRICT  
LAKE COUNTY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)**

Energy Acquisition Corporation, a non-profit corporation with a self-appointing board, issued \$ 119,140,000 in debt to prepurchase eight years of electricity from Cleveland Electric Illuminating (CEI) for the participants. The participating school district are not obligated in any manner for this debt. If a participating school district terminates their agreement, they are required to repay the savings to CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corporation.

**CLAIMS SERVICING POOL**

The District participates in Lake County Council of Governments Health Care Benefits Program (HCBP) Self-Insurance Program, a claims servicing pool, comprised of eleven members. Each member pays an administrative fee to the pool. A five-member Board of Directors elected from the HCBP's assembly conducts the Plan's business and affairs. All participating members retain their risk and the Plan acts as the claims servicing agent.

**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 natural disasters. During fiscal year 1999, the District contracted with Indiana Insurance Company for property, general liability, boiler and machinery insurance. There is a \$ 1,000 deductible.

District liability is protected by Nationwide Mutual Insurance Company with a \$ 2,000,000 single occurrence and \$ 5,000,000 in aggregate limit with a \$ 1,000 deductible. Vehicles are also covered by Indiana Insurance Company and have a \$ 250 deductible for comprehensive collision. Automobile liability has a \$ 1,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past three years and there has not been a significant reduction in coverage from the prior year.

The District has elected to provide medical coverage through a self insured program. The District uses the general fund to account for and finance its uninsured risks of loss in this program. The claims are serviced through the Lake County Council of Governments Health Care Benefits Program. The Lake County Council of Governments Health Care Benefits Program has stop loss coverage of 110% of expected claims. The claims liability of \$ 135,791 reported in the general fund at June 30, 1999 is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the fund's claims liability amount in 1999 was:

	Balance at Beginning <u>of Year</u>	Current Year <u>Claims</u>	Claim <u>Payments</u>	Balance at End of <u>Year</u>
1999	\$ 137,506	\$ 1,014,708	\$ 1,016,423	\$ 135,791

In 1998, the claims information was not available for individual districts.

**PERRY LOCAL SCHOOL DISTRICT  
LAKE COUNTY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**OSBA GROUP RATING PROGRAM**

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), a Public Entity Risk 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 insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**STATUTORY RESERVES**

The District is required, by state law, to set aside certain general fund revenue amounts, as defined, into various reserves. During 1999, based on a new interpretation of the law, the District adjusted the reserve for budget stabilization from \$ 1,365,275 to \$ 115,275 and created a fund balance designation for budget stabilization for \$ 1,250,000. During the fiscal year ended June 30, 1999, the reserve activity was as follows:

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>	<u>Total</u>
Balance, July 1, 1998	\$ 500,000	\$ 500,000	\$ 115,275	\$ 2,365,275
Required set-aside	483,389	483,389	--	966,778
Qualifying expenditures	<u>(1,881,473)</u>	<u>(3,002,707)</u>	<u>--</u>	<u>(4,884,180)</u>
Total	<u>\$ (898,084)</u>	<u>\$ (2,019,318)</u>	<u>\$ 115,275</u>	<u>\$ (1,552,127)</u>
Reserve balance, June 30, 1999	\$ --	\$ --	\$ 115,275	\$ 115,275
Designation balance, June 30, 1999	<u>--</u>	<u>--</u>	<u>1,250,000</u>	<u>1,250,000</u>
Restricted cash	<u>--</u>	<u>--</u>	<u>\$ 1,365,275</u>	<u>\$ 1,365,275</u>

Although the District had qualifying disbursements during the year that reduced the set-aside amounts to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are, therefore, not presented as being carried forward to the next fiscal year.

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**PERRY LOCAL SCHOOL DISTRICT - LAKE COUNTY  
SUPPLEMENTAL SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 1999**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Number	Receipts	Non-cash Receipts	Disburse- ments	Non-cash Disburse- ments
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>						
Passed Through Ohio Department of Education:						
Child Nutrition Cluster						
Food Distribution Program	10.550	N/A	\$0	\$34,306	\$0	\$37,355
School Lunch Program	10.555	03-PU-98	11,691	0	11,691	0
	10.555	03-PU-99	33,888	0	33,888	0
	10.555	04-PU-98	10,655	0	10,655	0
	10.555	04-PU-99	28,762	0	28,762	0
			<u>84,996</u>	<u>0</u>	<u>84,996</u>	<u>0</u>
Total U.S. Department of Agriculture -			<u>84,996</u>	<u>34,306</u>	<u>84,996</u>	<u>37,355</u>
<b>U.S. DEPARTMENT OF EDUCATION:</b>						
Passed-Through Ohio Department of Education:						
Special Education Cluster						
Special Education - Title VI B	84.027	6B-SF-98	0	0	5,919	0
	84.027	6B-SF-99	49,634	0	31,748	0
			<u>49,634</u>	<u>0</u>	<u>37,667</u>	<u>0</u>
Special Education - Preschool	84.173	PG-S1-98	0	0	6,852	0
	84.173	PG-S1-99	10,140	0	0	0
			<u>10,140</u>	<u>0</u>	<u>6,852</u>	<u>0</u>
Special Education Cluster Total			<u>59,774</u>	<u>0</u>	<u>44,519</u>	<u>0</u>
Goals 2000	84.276	G2-S1-98	13,207	0	13,207	0
	84.276	G2-S1-99	0	0	56,299	0
	84.276	G2-A2-99	630	0	0	0
	84.276	G2-SP-96	0	0	3,343	0
	84.276	G2-SP-98	197,359	0	107,011	0
	84.276	G2-SP99	12,600	0	7,125	0
	84.276	G2-S4-97	0	0	15,714	0
	84.276	G2-S2-97	0	0	8,945	0
			<u>223,796</u>	<u>0</u>	<u>211,614</u>	<u>0</u>
Drug-Free Schools	84.186	DR-S1-98	0	0	4,704	0
	84.186	DR-S1-99	10,121	0	6,029	0
			<u>10,121</u>	<u>0</u>	<u>10,733</u>	<u>0</u>
Innovative Education Program Strategies	84.298	C2-S1-97	0	0	432	0
	84.298	C2-S1-98	0	0	2,441	0
	84.298	C2-S1-99	0	0	3,018	0
			<u>0</u>	<u>0</u>	<u>5,891</u>	<u>0</u>
Eisenhower Professional Development Grant	84.281	MS-S1-99	5,330	0	145	0
Total Passed-Through Ohio Department of Education			<u>299,021</u>	<u>0</u>	<u>272,902</u>	<u>0</u>
Direct Program						
Telecommunications Fund	84.xxx		24,671	0	10,383	0
Total U.S. Department of Education			<u>323,692</u>	<u>0</u>	<u>283,285</u>	<u>0</u>
<b>U.S. EMPLOYMENT AND TRAINING ADMINISTRATION:</b>						
Passed Through State Department of Education						
Employment Services and Job Training	17.249	WK-BE-97	26,500	0	14,595	0
	17.249	WK-BE-98	84,888	0	69,204	0
Total U.S. Employment and Training Administration			<u>111,388</u>	<u>0</u>	<u>83,799</u>	<u>0</u>
Total Expenditures of Federal Awards			<u>\$520,076</u>	<u>\$34,306</u>	<u>\$452,080</u>	<u>\$37,355</u>

See accompanying notes to Schedule of Federal Awards Expenditures.

**PERRY LOCAL SCHOOL DISTRICT  
LAKE COUNTY  
NOTES TO SUPPLEMENTAL SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 1999**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of federal awards expenditures is a summary of the activity of the Districts federal awards programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B - FOOD DISTRIBUTION**

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

CFDA - Catalog of Federal Domestic Assistance



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

Board of Education  
Perry Local School District  
Lake County  
4325 Manchester Street  
Perry, Ohio 44081

We have audited the financial statements of the Perry Local School District, Lake County, Ohio (the District), as of and for the year ended June 30, 1999, and have issued our report thereon dated February 11, 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 an immaterial instance of non-compliance that we have reported to management of the District in a separate letter dated February 11, 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 other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 11, 2000.

Perry Local School District  
Report on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page -2-

This report is intended for the information and use of the Audit Committee, management, 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  
February 11, 2000



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

Board of Education  
Perry Local School District  
Lake County  
4325 Manchester Street  
Perry, Ohio 44081

**Compliance**

We have audited the compliance of the Perry Local School District, Lake County, Ohio (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1999. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with 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 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, 1999.

**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.

Perry Local School District  
Report on Compliance with Requirements Applicable to Each Major Federal Program  
and on Internal Control over Compliance in Accordance with *OMB Circular A-133*  
Page 2

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. However, we noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 11, 2000.

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



JIM PETRO  
Auditor of State

February 11, 2000

**Perry Local School District**

June 30, 1999

SCHEDULE OF FINDINGS

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

A-133 §.505

(d)(1)(i)	<b>Type of Financial Statement Opinion</b>	Unqualified
(d)(1)(ii)	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
(d)(1)(ii)	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
(d)(1)(iii)	<b>Was there any reported non-compliance at the financial statement level (GAGAS)?</b>	No
(d)(1)(iv)	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
(d)(1)(iv)	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
(d)(1)(v)	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
(d)(1)(vi)	<b>Are there any reportable findings under Sec. .510?</b>	No
(d)(1)(vii)	<b>Major Programs (list)</b>	Goals 2000, CFDA # 84.276 Nutrition Cluster: Food Distribution, CFDA # 10.550 National School Lunch Program, CFDA # 10.555
(d)(1)(viii)	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<b>Low Risk Auditee?</b>	No

**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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**PERRY LOCAL SCHOOL DISTRICT**  
**LAKE 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.

By: *Susan Babbitt*

Date: **MAR 09 2000**