



**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education
Perry Local School District
Allen County
2770 East Breese Road
Lima, Ohio 45806

We have audited the accompanying general-purpose financial statements of Perry Local School District (the District), Allen County, Ohio, 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 general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 1999, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

JIM PETRO
Auditor of State

December 7, 1999

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COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Assets and Other Debits:			
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$1,038,070	\$156,624	\$311,811
Receivables:			
Taxes	1,980,855	0	90,039
Accounts	167	300	0
Intergovernmental	0	0	0
Accrued Interest	4,556	0	0
Interfund Receivable	193,000	0	0
Inventory Held for Resale	0	0	0
Materials and Supplies			
Inventory	11,156	1,027	0
Prepaid Items	37,649	3,163	0
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	46,090	0	0
Intergovernmental	226	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0
Other Debits:			
Amount to be Provided from General Government Resources	0	0	0
Total Assets and Other Debits	<u>\$3,311,769</u>	<u>\$161,114</u>	<u>\$401,850</u>
Liabilities, Fund Equity and Other Credits:			
Liabilities:			
Accounts Payable	\$43,656	\$13,516	\$7,181
Accrued Wages and Benefits	414,288	67,605	0
Compensated Absences Payable	5,813	0	0
Interfund Payable	0	0	193,000
Intergovernmental Payable	69,265	9,189	0
Special Assessment Payable	0	0	0
Deferred Revenue	1,840,249	0	83,648
Total Liabilities	<u>2,373,271</u>	<u>90,310</u>	<u>283,829</u>
Fund Equity and Other Credits:			
Investment in General Fixed Assets	0	0	0
Contributed Capital	0	0	0
Retained Earnings:			
Unreserved	0	0	0
Fund Balance:			
Reserved for Encumbrances	68,757	7,950	264,960
Reserved for Inventory	11,156	1,027	0
Reserved for Property Taxes	140,606	0	6,391
Reserved for Budget Stabilization	46,316	0	0
Unreserved (Deficit)	671,663	61,827	(153,330)
Total Fund Equity and Other Credits	<u>938,498</u>	<u>70,804</u>	<u>118,021</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$3,311,769</u>	<u>\$161,114</u>	<u>\$401,850</u>

See Accompanying Notes to the General Purpose Financial Statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Expendable Trust			
\$121,761	\$8,100	\$0	\$0	\$1,636,366
0	0	0	0	2,070,894
15,547	0	0	0	16,014
13,174	0	0	0	13,174
0	0	0	0	4,556
0	0	0	0	193,000
14,846	0	0	0	14,846
921	0	0	0	13,104
1,247	0	0	0	42,059
0	0	0	0	46,090
0	0	0	0	226
33,731	0	3,200,651	0	3,234,382
0	0	0	406,026	406,026
<u>\$201,227</u>	<u>\$8,100</u>	<u>\$3,200,651</u>	<u>\$406,026</u>	<u>\$7,690,737</u>
\$11,606	\$0	\$0	\$0	\$75,959
16,267	0	0	0	498,160
6,117	0	0	250,096	262,026
0	0	0	0	193,000
8,202	0	0	32,088	118,744
0	0	0	123,842	123,842
2,068	0	0	0	1,925,965
<u>44,260</u>	<u>0</u>	<u>0</u>	<u>406,026</u>	<u>3,197,696</u>
0	0	3,200,651	0	3,200,651
600	0	0	0	600
156,367	0	0	0	156,367
0	0	0	0	341,667
0	0	0	0	12,183
0	0	0	0	146,997
0	0	0	0	46,316
0	8,100	0	0	588,260
<u>156,967</u>	<u>8,100</u>	<u>3,200,651</u>	<u>0</u>	<u>4,493,041</u>
<u>\$201,227</u>	<u>\$8,100</u>	<u>\$3,200,651</u>	<u>\$406,026</u>	<u>\$7,690,737</u>

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types			Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Revenues:					
Taxes	\$2,060,532	\$0	\$93,593	\$0	\$2,154,125
Intergovernmental	1,907,106	494,412	31,436	0	2,432,954
Interest	71,712	3,392	3,037	375	78,516
Extracurricular Activities	0	147,453	0	0	147,453
Gifts and Donations	0	14,120	69,600	518	84,238
Miscellaneous	13,054	13,798	0	0	26,852
Total Revenues	4,052,404	673,175	197,666	893	4,924,138
Expenditures:					
Current:					
Instruction:					
Regular	1,675,064	178,948	48,031	0	1,902,043
Special	311,145	211,205	0	0	522,350
Vocational	46,247	0	0	0	46,247
Other	133,722	0	0	0	133,722
Support Services:					
Pupils	70,791	52,325	0	0	123,116
Instructional Staff	149,191	59,594	0	0	208,785
Board of Education	16,798	0	0	0	16,798
Administration	384,698	59,450	0	0	444,148
Fiscal	142,415	573	1,800	0	144,788
Operation and Maintenance of Plant	383,113	0	0	0	383,113
Pupil Transportation	226,925	12,016	0	0	238,941
Central	23,127	5,849	0	0	28,976
Non-Instructional Services	0	800	0	0	800
Extracurricular Activities	159,429	123,919	0	0	283,348
Capital Outlay	7,263	0	94,572	0	101,835
Debt Service:					
Principal Retirement	0	0	1,315	0	1,315
Interest and Fiscal Charges	0	0	3,643	0	3,643
Total Expenditures	3,729,928	704,679	149,361	0	4,583,968
Excess of Revenues Over (Under)					
(Under) Expenditures	322,476	(31,504)	48,305	893	340,170
Other Financing Uses:					
Operating Transfers Out	(25,000)	0	0	0	(25,000)
Excess of Revenues Over (Under)					
Expenditures and Other Financing Uses	297,476	(31,504)	48,305	893	315,170
Fund Balances at Beginning of Year	631,551	103,899	69,717	7,207	812,374
Increase (Decrease) in Reserve for Inventory	9,471	(1,591)	0	0	7,880
Fund Balances at End of Year	\$938,498	\$70,804	\$118,022	\$8,100	\$1,135,424

See Accompanying Notes to the General Purpose Financial Statements

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

	Governmental Fund Types					
	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$1,839,590	\$1,994,090	\$154,500	\$0	\$0	\$0
Intergovernmental	1,907,106	1,907,106	0	509,332	509,532	200
Interest	72,523	77,329	4,806	3,392	3,392	0
Extracurricular Activities	0	0	0	146,432	148,685	2,253
Gifts and Donations	0	0	0	14,760	14,760	0
Miscellaneous	4,536	4,536	0	12,558	13,798	1,240
Total Revenues	3,823,755	3,983,061	159,306	686,474	690,167	3,693
Expenditures:						
Current						
Instruction:						
Regular	1,740,559	1,660,269	80,290	182,700	157,264	25,436
Special	320,245	295,185	25,060	251,521	220,384	31,137
Vocational	48,084	45,482	2,602	0	0	0
Other	134,732	133,325	1,407	0	0	0
Support Services:						
Pupils	77,300	62,361	14,939	55,983	47,082	8,901
Instructional Staff	154,989	145,163	9,826	67,430	58,052	9,378
Board of Education	25,340	21,752	3,588	0	0	0
Administration	411,919	373,116	38,803	66,445	61,312	5,133
Fiscal	148,501	142,051	6,450	573	573	0
Operation and Maintenance of Plant	438,551	407,654	30,897	0	0	0
Pupil Transportation	280,310	231,347	48,963	12,298	12,298	0
Central	21,600	18,579	3,021	6,157	5,849	308
Noninstructional Services	0	0	0	833	833	0
Extracurricular Activities	172,015	155,353	16,662	154,285	129,054	25,231
Capital Outlay	11,207	10,850	357	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	3,985,352	3,702,487	282,865	798,225	692,701	105,524
Excess of Revenues Over (Under) Expenditures	(161,597)	280,574	442,171	(111,751)	(2,534)	109,217
Other Financing Sources (Uses):						
Refund of Prior Years Expenditures	336	336	0	310	310	0
Refund of Prior Years Receipts	(100)	(50)	50	0	0	0
Other Financing Sources	7,790	7,790	0	0	0	0
Advances In	98,120	98,120	0	0	75,000	75,000
Advances Out	0	(276,000)	(276,000)	0	(90,120)	(90,120)
Operating Transfers In	0	0	0	0	0	0
Operating Transfers Out	(25,000)	(25,000)	0	0	0	0
Total Other Financing Sources (Uses)	81,146	(194,804)	(275,950)	310	(14,810)	(15,120)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(80,451)	85,770	166,221	(111,441)	(17,344)	94,097
Fund Balances at Beginning of Year	790,620	790,620	0	119,043	119,043	0
Prior Year Encumbrances Appropriated	94,114	94,114	0	33,461	33,461	0
Fund Balances at End of Year	\$804,283	\$970,504	\$166,221	\$41,063	\$135,160	\$94,097

See Accompanying Notes to the General Purpose Financial Statements

Governmental Fund Types Capital Projects Fund			Fiduciary Fund Type Expendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$82,193	\$90,549	\$8,356	\$0	\$0	\$0	\$1,921,783	\$2,084,639	\$162,856
31,436	31,436	0	0	0	0	2,447,874	2,448,074	200
810	3,037	2,227	375	375	0	77,100	84,133	7,033
0	0	0	0	0	0	146,432	148,685	2,253
69,600	69,600	0	425	518	93	84,785	84,878	93
0	0	0	0	0	0	17,094	18,334	1,240
184,039	194,622	10,583	800	893	93	4,695,068	4,868,743	173,675
55,586	51,802	3,784	0	0	0	1,978,845	1,869,335	109,510
0	0	0	0	0	0	571,766	515,569	56,197
0	0	0	0	0	0	48,084	45,482	2,602
0	0	0	0	0	0	134,732	133,325	1,407
0	0	0	0	0	0	133,283	109,443	23,840
0	0	0	0	0	0	222,419	203,215	19,204
0	0	0	0	0	0	25,340	21,752	3,588
0	0	0	0	0	0	478,364	434,428	43,936
2,000	1,800	200	0	0	0	151,074	144,424	6,650
2,000	0	2,000	0	0	0	440,551	407,654	32,897
0	0	0	0	0	0	292,608	243,645	48,963
0	0	0	0	0	0	27,757	24,428	3,329
0	0	0	3,000	0	3,000	3,833	833	3,000
0	0	0	0	0	0	326,300	284,407	41,893
373,556	360,322	13,234	0	0	0	384,763	371,172	13,591
1,315	1,315	0	0	0	0	1,315	1,315	0
3,643	3,643	0	0	0	0	3,643	3,643	0
438,100	418,882	19,218	3,000	0	3,000	5,224,677	4,814,070	410,607
(254,061)	(224,260)	29,801	(2,200)	893	3,093	(529,609)	54,673	584,282
0	0	0	0	0	0	646	646	0
0	0	0	0	0	0	(100)	(50)	50
0	0	0	0	0	0	7,790	7,790	0
193,000	193,000	0	0	0	0	291,120	366,120	75,000
0	0	0	0	0	0	0	(366,120)	(366,120)
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	(25,000)	(25,000)	0
193,000	193,000	0	0	0	0	274,456	(16,614)	(291,070)
(61,061)	(31,260)	29,801	(2,200)	893	3,093	(255,153)	38,059	293,212
31,591	31,591	0	7,207	7,207	0	948,461	948,461	0
39,340	39,340	0	0	0	0	166,915	166,915	0
\$9,870	\$39,671	\$29,801	\$5,007	\$8,100	\$3,093	\$860,223	\$1,153,435	\$293,212

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
 PROPRIETARY FUND TYPE
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>Enterprise</u>
Operating Revenues:	
Sales	\$159,421
Total Operating Revenues	<u>159,421</u>
Operating Expenses:	
Salaries	100,373
Fringe Benefits	28,295
Purchased Services	3,006
Materials and Supplies	3,536
Cost of Sales	174,095
Depreciation	2,379
Total Operating Expenses	<u>311,684</u>
Operating Loss	<u>(152,263)</u>
Non-Operating Revenues:	
Federal Donated Commodities	24,307
Interest	6,144
Operating Grants	98,946
Total Non-Operating Revenues	<u>129,397</u>
Net Loss Before Operating Transfers	(22,866)
Operating Transfers In	<u>25,000</u>
Net Income	2,134
Retained Earnings at Beginning of Year	<u>154,233</u>
Retained Earnings at End of Year	156,367
Contributed Capital at Beginning and End of Year	600
Total Fund Equity at End of Year	<u><u>\$156,967</u></u>

See Accompanying Notes to the General Purpose Financial Statements

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)
PROPRIETARY FUND TYPE
FOR THE FISCAL PERIOD ENDED JUNE 30, 1999**

	Enterprise		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues:			
Sales	\$157,453	\$158,246	\$793
Interest	4,275	6,144	1,869
Operating Grants	85,772	85,772	0
Total Revenues	247,500	250,162	2,662
Expenses:			
Salaries	96,000	95,098	902
Fringe Benefits	30,700	27,563	3,137
Purchased Services	6,369	3,074	3,295
Materials and Supplies	176,586	173,800	2,786
Capital Outlay	24,125	21,538	2,587
Total Expenses	333,780	321,073	12,707
Excess of Revenues Under Expenses	(86,280)	(70,911)	15,369
Advances In	0	8,000	8,000
Advances Out	0	(8,000)	(8,000)
Operating Transfers In	25,000	25,000	0
Excess of Revenues Under Expenses and Advances and Transfers	(61,280)	(45,911)	15,369
Fund Balances at Beginning of Year	142,910	142,910	0
Prior Year Encumbrances Appropriated	8,980	8,980	0
Fund Balances at End of Year	\$90,610	\$105,979	\$15,369

See Accompanying Notes to the General Purpose Financial Statements

COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

	Enterprise
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$158,246
Cash Payments to Suppliers for Goods and Services	(161,178)
Cash Payments to Employees for Services	(95,098)
Cash Payments for Employee Benefits	(27,563)
Net Cash Used for Operating Activities	(125,593)
Cash Flows from Noncapital Financing Activities:	
Advances In	8,000
Advances Out	(8,000)
Operating Transfers In	25,000
Operating Grants Received	85,772
Net Cash Provided by Noncapital Financing Activities	110,772
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(21,452)
Cash Flows from Investing Activities:	
Cash Received from Interest	6,144
Net Decrease in Cash and Cash Equivalents	(30,129)
Cash and Cash Equivalents at Beginning of Year	151,890
Cash and Cash Equivalents at End of Year	\$121,761
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	(\$152,263)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	2,379
Donated Commodities Used During Year	24,307
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	(1,175)
Increase in Inventory Held for Resale	(7,476)
Increase in Materials and Supplies Inventory	(113)
Increase in Prepaid Items	(182)
Increase in Accounts Payable	2,741
Increase in Accrued Wages and Benefits	4,367
Increase in Compensated Absences Payable	1,270
Increase in Intergovernmental Payable	552
Net Cash Used for Operating Activities	(\$125,593)

See Accompanying Notes to the General Purpose Financial Statements

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Perry Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state statute and/or federal guidelines.

The School District is located in Allen County and includes all of Perry Township. It is staffed by 30 non-certificated employees, 53 certificated full-time teaching personnel and 4 administrative employees who provide services to 870 students and other community members. The School District currently operates 2 instructional buildings and 1 bus garage.

Reporting Entity:

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The School District is associated with five jointly governed organizations and two insurance pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, Apollo Joint Vocational School, the Spencerville, Perry and Bath Local Professional Development Committee, West Central Ohio Special Education Regional Resource Center, the West Central Ohio Regional Professional Development Center, the Allen County Schools Health Benefit Plan, and the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Plan. These organizations are presented in Notes 17 and 18 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(CONTINUED)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting (Continued)

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

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

Governmental Fund Types:

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

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

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

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

Proprietary Fund Types:

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

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

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's only fiduciary fund type is expendable trust. Expendable trust funds are accounted for in essentially the same manner as governmental funds.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(CONTINUED)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting (Continued)

Account Groups:

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

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

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

B. Measurement Focus and Basis of Accounting

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

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

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

The modified accrual basis of accounting is followed for the governmental and the expendable trust funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(CONTINUED)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

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

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each fund and function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Tax Budget:

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

By no later than January 20, the Board-adopted budget is filed with the Allen County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(CONTINUED)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

Appropriations:

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

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriation resolutions were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances:

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

Lapsing of Appropriations:

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

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

During fiscal year 1999, investments were limited to STAROhio and non-negotiable certificates of deposit. Non-negotiable certificates of deposit are reported at cost. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 1999.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(CONTINUED)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents (Continued)

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during fiscal year 1999 amounted to \$71,712, which includes \$942 assigned from other School District funds.

For purposes of the Combined Statement of Cash Flows and for presentation of the Combined Balance Sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

E. Inventory

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues required to be set-aside to create a reserve for budget stabilization. See Note 14 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the enterprise funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one hundred dollars. The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of ten to twenty years.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(CONTINUED)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for enterprise fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Allocation

Special Revenue Fund

- Textbook Subsidy

Non-Reimbursable Grants

Special Revenue Funds

- Venture Capital
- Professional Development Block Grant
- Education Management Information Systems
- Disadvantaged Pupil Impact Aid
- Eisenhower Math/Science
- Title I
- Title VI
- Title VI-B
- Drug-Free Schools
- Continuing Improvement

Capital Projects Fund

- SchoolNet

Reimbursable Grants

General Fund

- Driver Education

Enterprise Funds

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements amounted to approximately forty-nine percent of the School District's governmental operating revenue during the 1999 fiscal year.

J. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(CONTINUED)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences

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

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

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In enterprise funds, the entire amount of compensated absences is reported as a fund liability.

L. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than two months after year end are considered not to have used current available financial resources. Long-term debt and other obligations financed by enterprise funds are reported as liabilities in the appropriate enterprise funds.

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

N. Fund Balance Reserves

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(CONTINUED)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to enterprise funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1993, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to enterprise funds have been classified as retained earnings.

P. Use of Estimates

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

Q. Total Columns on General Purpose Financial Statements

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Accountability

At June 30, 1999, the Disadvantaged Pupil Impact Aid and Title VI special revenue funds had deficit fund balances of \$129, and \$6, respectively. The deficits in the special revenue funds resulted from expenditures made in excess of available revenues. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

Compliance

Ohio Rev. Code Section 5705.41 (B) states that no subdivision shall make any expenditure of money unless it has been lawfully appropriated. Expenditures exceeded appropriations at the legal level of control (fund, function, object, special cost center) in the following funds for the period ended:

December 31, 1998:	<u>Appropriation</u>	<u>Expenditure</u>	<u>Excess</u>
Special Revenue Fund:			
Elementary Principal Fund			
-Supplies Account	\$15,029	\$18,203	\$3,174
-New Equipment Account	1,855	7,164	5,309
Venture Capital Fund			
-Equipment Account	10,000	11,146	1,146
Band Fund			
-Capital Outlay Account	200	1,659	1,459
JV and Varsity Cheerleaders			
-Uniforms and Emblems Account	2,000	6,986	4,986

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(CONTINUED)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE (Continued)

	<u>Appropriation</u>	<u>Expenditure</u>	<u>Excess</u>
Junior High Cheerleaders			
-Capital Outlay Account	0	1,829	1,829
Education Management Information			
Systems Fund	1,157	3,157	2,000
Title VI-B Fund			
-Tuition/Excess Cost Account	30,000	38,190	8,190
Capital Project Fund:			
Permanent Improvement Fund			
-Educational Equipment Acct.	5,225	21,773	16,584
May 29, 1999:			
Special Revenue Fund:			
Athletic Fund			
-Supplies Account	18,320	22,576	4,256
-Capital Outlay Account	10,730	13,309	2,579
Capital Project Fund:			
Permanent Improvement Fund			
-Educational Equipment Acct.	22,225	24,807	2,582
Permanent Improvement -			
Track Project Fund			
-Site Improvements Acct.	0	240,110	240,110
Enterprise Fund:			
Uniform School Supply Fund			
-Uniform School Supplies Acct.	28,000	45,669	17,669

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(CONTINUED)**

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the enterprise fund type (GAAP basis).
4. For enterprise funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

**Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types**

	General	Special Revenue	Capital Projects
GAAP Basis	\$297,476	(\$31,504)	\$48,305
Revenue Accruals	(61,217)	16,992	(3,044)
Expenditure Accruals	147,442	35,251	2,619
Prepays	(6,395)	(1,499)	0
Advances In	98,120	75,000	193,000
Advances Out	(276,000)	(90,120)	0
Encumbrances Outstanding At Year End (Budget Basis)	(113,656)	(21,464)	(272,140)
Budget Basis	\$85,770	(\$17,344)	(\$31,260)

**Net Income/Excess of Revenues Under Expenses
and Advances and Transfers
Proprietary Fund Type**

	Enterprise
GAAP Basis	\$2,134
Revenue Accrual	(14,349)
Expense Accrual	8,930
Change in Material and Supply Inventory	(113)
Change in Inventory Held for Resale	(7,476)
Change in Prepaid Items	(182)
Acquisition of Fixed Assets	(21,452)
Depreciation Expense	2,379
Advances In	8,000
Advances Out	(8,000)
Encumbrances Outstanding at Year End (Budget Basis)	(15,782)
Budget Basis	(\$45,911)

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(CONTINUED)**

NOTE 5 - DEPOSITS AND INVESTMENTS

The Treasurer is responsible for selecting depositories and investing funds. State statutes classify monies held by the School District into three categories.

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

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

Interim deposits are deposits of interim moneys. Interim moneys are those moneys which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

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

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 pass book accounts. Interim moneys may be deposited or invested in the following securities:

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(CONTINUED)**

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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

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

Cash on Hand: At fiscal year end, the School District had \$50 in undeposited cash on hand which is included on the Combined Balance Sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents."

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

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$1,279,252 and the bank balance was \$1,304,648. Of the bank balance, \$242,734 was covered by federal depository insurance. The remaining amounts were uninsured and uncollateralized. Although the securities were held by the pledging financial institutions trust departments in the School District's name and all state statutory requirements for the investment of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments: The School District's investments are to be categorized to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but no in the School District's name.

At year end, the School District's investment in STAROhio had a market value of \$403,154. STAROhio, an investment pool operated by the Ohio State Treasurer, is unclassified since it is not evidenced by securities that exist in physical or book entry form.

A reconciliation between the classifications of cash and investments on the combined financial statements and the classifications per GASB 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$1,682,456	\$0
Cash on Hand	(50)	
Investments of the Cash		
Cash Management Pool:		
STAROhio	(403,154)	403,154
GASB Statement 3	\$1,279,252	\$403,154

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(CONTINUED)**

NOTE 6 - PROPERTY TAXES

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

The assessed values upon which fiscal year 1999 taxes were collected are:

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$52,040,090	70.98%	\$54,536,790	69.47%
Public Utility	7,467,280	10.19%	7,386,110	9.41%
Tangible Personal Property	13,806,097	18.83%	16,579,533	21.12%
Total Assessed Value	\$73,313,467	100.00%	\$78,502,433	100.00%
Tax rate per \$1,000 of assessed valuation	\$37.10		\$37.10	

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

The School District receives property taxes from Allen County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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, 1999 was \$140,606 in the general fund and \$6,391 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 1998 was \$74,164 in the general fund and \$3,347 in the permanent improvement capital projects fund.

NOTE 7 - RECEIVABLES

Receivables at June 30, 1999, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(CONTINUED)**

NOTE 7 - RECEIVABLES (Continued)

A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund:	
Workers' Compensation Refund	\$226
Enterprise Fund:	
State and Federal Lunch Reimbursements	13,174
Total Intergovernmental Receivables	<u><u>\$13,400</u></u>

NOTE 8 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$81,898
Less Accumulated Depreciation	<u>(48,167)</u>
Net Fixed Assets	<u><u>\$33,731</u></u>

A summary of the changes in general fixed assets during fiscal year 1999 follows:

Asset Category	Balance at 6/30/98	Additions	Deletions	Balance at 6/30/99
Land	\$429,744	\$0	\$0	\$429,744
Buildings	1,318,857	4,000	0	1,322,857
Furniture, Fixtures and Equipment	974,405	113,090	30,060	1,057,435
Vehicles	376,625	0	0	376,625
Construction in Progress	<u>0</u>	<u>13,990</u>	<u>0</u>	<u>13,990</u>
Totals	<u><u>\$3,099,631</u></u>	<u><u>\$131,080</u></u>	<u><u>\$30,060</u></u>	<u><u>\$3,200,651</u></u>

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District contracted with Nationwide Insurance for general liability and fleet insurance, and with Indiana Insurance Company for property insurance. Coverages provided by the various insurances are as follows:

Building and Contents-replacement cost	\$11,782,200
Automobile Liability (\$50 deductible)	1,000,000
Uninsured Motorists (\$50 deductible)	1,000,000
General Liability	
Per occurrence	2,000,000
Total per year	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(CONTINUED)**

NOTE 9 - RISK MANAGEMENT (Continued)

The School District participates in the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Program (the Program), an insurance purchasing pool (Note 18). The Program is intended to reduce premiums for the participants. 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 Program. Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate.

Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

The School District participates in the Allen County Schools Health Benefit Plan (the Plan), a public entity shared risk pool consisting of the school districts within Allen County. The School District pays monthly premiums to the Plan for employee medical and dental benefits. The Plan is responsible for the management and operations of the program. Upon withdrawal from the Plan, a participant is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634. Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1999, 9.02 percent was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$45,270, \$54,673, and \$55,291, respectively; 44.7 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$25,047 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District participates in 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. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(CONTINUED)**

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

For the fiscal year ended June 30, 1999, plan members are required to contribute 9.3 percent of their annual covered salary. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 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 School District's contribution for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$129,238, \$250,800, and \$239,304, respectively; 82.8 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$22,221 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, four members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-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.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$172,317 during the 1999 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,156 million at June 30, 1998 (the latest information available). 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.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For this fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll; an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including surcharge, equaled \$44,798 during the 1999 fiscal year.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(CONTINUED)**

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

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 percent of annual health care expenses. Expense for health care at June 30, 1998, was \$111,900,575 and the target level was \$139.9 million. At June 30, 1998 (the latest information available), 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.

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 230 days for certified employees and 200 days to classified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 42 days for classified employees and 50 days for certified employees.

B. Health Care Benefits

The School District has elected to provide employee medical/surgical and dental benefits through the Allen County Schools Health Benefit Plan. The employees share the cost of the monthly premium with the Board. The premium varies with employees depending on the terms of the union contract. Life insurance is provided through CoreSource. The School District also contributes to a Flexible Health Benefit Spending Account for each employee, for medical expenses not covered by other health insurance.

NOTE 13 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	Balance 6/30/98	Additions	Deductions	Balance 6/30/99
Special Assessment	\$125,157	\$0	\$1,315	\$123,842
Intergovernmental Payable	29,796	32,088	29,796	32,088
Compensated Absences	240,267	9,829	0	250,096
Total General Long-Term Obligations	<u>\$395,220</u>	<u>\$41,917</u>	<u>\$31,111</u>	<u>\$406,026</u>

Compensated absences and the intergovernmental payable will be paid from the fund from which the employees' salaries are paid.

In October, 1995, the School District entered into a contract with the Allen Water District to construct a water main to supply city water services to the School District's facilities. Installation was completed in September, 1996. The cost to the School District's was \$225,000. The unpaid balance under the contract was certified to Allen County Auditor for collection as a special assessment in fiscal year 1998. The special assessments will be paid semi-annually from the permanent improvement capital projects fund. The contract with the Water District also allows the School District to received from the Allen Water District, 95 percent of any tap fees collected for a period of ten years or a maximum of \$170,000. Since the actual amount to be received cannot be estimated, a receivable was not recorded.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(CONTINUED)**

NOTE 13 - LONG-TERM OBLIGATIONS (Continued)

The School District's overall legal debt margin was \$7,065,219 with an unvoted debt margin of \$78,502 at June 30, 1999.

Principal and interest requirements to retire the special assessment outstanding at June 30, 1999, are as follows:

Fiscal Year	
Ended	Amount
2000	\$9,917
2001	9,917
2002	9,917
2003	9,917
2004	9,917
2005-2009	49,585
2010-2023	133,881
Total	<u>\$233,051</u>

NOTE 14 - RESERVATIONS OF FUND BALANCE

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

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$16,291	\$16,291
Current Year Set-aside Requirement	58,926	58,926	29,799	147,651
Current Year Offsets	(9,604)	(91,524)	0	(101,128)
Qualifying Disbursements	(70,736)	0	0	(70,736)
Total	<u>(\$21,414)</u>	<u>(\$32,598)</u>	<u>\$46,090</u>	<u>(\$7,922)</u>
Cash Balance Carried Forward to Fiscal Year 2000	<u>\$0</u>	<u>\$0</u>	<u>\$46,090</u>	<u>\$46,090</u>

State statute requires that workers' compensation refunds are also to be recorded in the set-aside for budget stabilization. As of June 30, 1999, the School District had a receivable for the refund of workers' compensation for the calendar year 1998 in the amount of \$226.

Although the School District had offsets and 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.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(CONTINUED)**

NOTE 15 - INTERFUND ACTIVITY

As of June 30, 1999, receivables and payables that resulted from various interfund transactions were as follows:

Fund Type/Fund	Interfund	
	Receivable	Payable
General Fund	\$193,000	\$0
Capital Projects Fund:		
Permanent Improvement	0	193,000
Total All Funds	\$193,000	\$193,000

NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Perry Local School District as of and for the fiscal year ended June 30, 1999.

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$143,259	\$16,162	\$159,421
Depreciation Expense	2,379	0	2,379
Operating Loss	(130,422)	(21,841)	(152,263)
Donated Commodities	24,307	0	24,307
Operating Grants	98,946	0	98,946
Operating Transfers	0	25,000	25,000
Net Income (Loss)	(1,331)	3,465	2,134
Fixed Assets Additions	21,452	0	21,452
Net Working Capital	102,872	17,286	120,158
Total Assets	161,779	39,448	201,227
Total Equity	128,583	28,384	156,967
Encumbrances Outstanding at June 30, 1999 (Budget Basis)	3,748	12,034	15,782

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative - The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC) which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Putnam, Mercer, Hancock, Van Wert, and Paulding Counties and Cities of Wapakoneta and St. Marys. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Financial information can be obtained from Michael Wildermuth, who serves as director, at 645 South Main Street, Lima, Ohio 45804.

Apollo Joint Vocational School - The Apollo Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Apollo Joint Vocational School, Greg Bukowski, who serves as Treasurer, at 3325 Shawnee Road, Lima, Ohio 45806.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(CONTINUED)**

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

Spencerville, Perry, and Bath Local Professional Development Committee - The Spencerville, Perry, and Bath Local Professional Development Committee is a consortium operated under the direction of a Board consisting of one representative from the educators of each school, along with two administrators from the member schools chosen by the superintendents. The Committee was formed to review coursework and other professional development activities completed by educators within the school districts and used for the renewal of certificates and licenses. As of June 30, 1999, there was no financial information available for this Committee.

West Central Ohio Special Education Regional Resource Center - The West Central Ohio Special Education Regional Resource Center (SERRC) is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The SERRC is governed by a board of 52 members made up the 50 superintendents of the participating districts, one non-public school, and Wright State University whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Krista Hart, Treasurer, at the Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

West Central Ohio Regional Professional Development Center (Center) - The Center is a jointly governed organization among the school districts located in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam and Van Wert counties. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development, in which school districts, the business community, higher education and other groups cooperatively plan and implement effective professional development activities than are tied directly to school improvement, and in particular, to improvements in instructional programs. The Center is governed by a board made up of fifty-two representatives of the participating school districts, the business community, and two institutions of higher learning whose term rotates every two years. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information may be obtained by contacting Dorothy Oldham, Treasurer, Hancock County Educational Service Center, 604 Lima Avenue, Findlay, Ohio 45840-3087.

NOTE 18 - INSURANCE PURCHASING POOL

Allen County Schools Health Benefit Plan - The School District participates in the Allen County Schools Health Benefit Plan (the Program), a public entity shared risk pool consisting of the school districts within Allen County. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides sick, accident and other benefits to the employees of the participating school districts. Each participating school district's superintendent is appointed to a Board of Trustees which advises the Trustee, CoreSource, concerning aspects of the administration of the Trust. Each school district decides which plans offered the Board of Trustees will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Board of Trustees and payment of the monthly premiums. Financial information can be obtained from Don Smith, who serves as Chairman, at 204 North Main Street, Lima, Ohio 45801.

Northwest Ohio Area Computer Service Cooperative Workers' Compensation Group Rating Program - The School District participates in the Northwest Ohio Area Computer Service Cooperative Workers' Compensation Group Rating Program (Program), an insurance purchasing pool. The Program's business and affairs are conducted by a twenty-five member Board of directors consisting of two representatives from each county elected by a majority vote of all charter member schools within each county plus one representative from the fiscal agency A-site. The Treasurer of Findlay City Schools serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the Program to cover the costs of administering the program and its financial operations.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(CONTINUED)**

NOTE 19 - SCHOOL FUNDING

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$1,578,778 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the thorough and efficient clause of the Ohio Constitution. The State 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 School 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.

NOTE 20 - YEAR 2000 COMPLIANCE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the School District's operations as early as fiscal year 1999.

The School District has completed an inventory of computer systems and other equipment necessary to conducting School District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information System (EMIS)).

The School District uses the State of Ohio Uniform School Accounting System software for its financial reporting and the State of Ohio Uniform School Payroll System software for its payroll and employee benefits. The Ohio Department of Education has informed the School District that these software applications are Y2K compliant.

The State of Ohio distributes a substantial sum of money to the School District in the form of "Foundation" payments. Further, the State processes a significant amount of financial and non-financial information about the School District through EMIS. The State is responsible for remediating these systems.

Allen County collects property taxes for distribution to the School District. The County is responsible for remediating its tax collection system.

The School District relies on several vendors to provide electricity, water, sewer and sanitation to the instructional buildings and the administrative/garage building of the School District. The vendors are responsible for remediating these systems, and are solely responsible for any associated costs.

The School District uses several banking institutions to provide financial services to the School District. The School District has not obtained assurances from these organizations or institutions regarding remediation of these systems. These institutions are responsible for remediating these systems, and are solely responsible for any associated costs.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(CONTINUED)**

NOTE 20 - YEAR 2000 COMPLIANCE (Continued)

The School District relies on the insurance purchasing pools to contract with third-party administrators to handle the claims for workers' compensation and health care benefits. The School District is not responsible for remediating this system, or any costs associated with this project.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the School District is or will be Year 2000 ready, that the School District's remediation efforts will be successful in whole or in part, or that parties with whom the School District does business will be year 2000 ready.

NOTE 21 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1999.

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT AGRICULTURE</u>						
<i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution		10.550	\$0	\$23,021	\$0	\$25,098
National School Lunch	NN-N2	10.555	81,539		81,539	
Total U. S. Department of Agriculture-Nutrition Cluster			81,539	23,021	81,539	25,098
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed through Ohio Department of Education:</i>						
Special Education Grants to States (IDEA Part B)	NN-N4 NN-N4	84.027 84.027	15,120 42,016	0 0	17,098 42,016	0 0
Total Special Education Grants to State			57,136	0	59,114	0
Grants to Local Educational Agencies (ESEA Title I)	NN-N8 NN-N8 NN-N8	84.010 84.010 84.010	19,987 (19,987) 161,441	0 0 0	23,717 19,987 130,911	0 0 0
Subtotal - Title I			161,441	0	174,615	0
Innovative Educational Program	NN-N9	84.298	2,559	0	2,559	0
Eisenhower Professional Development State Grants	N/A N/A N/A N/A	84.281 84.281 84.281 84.281	(1,468) (1,115) 1,115 4,200	0 0 0 0	694 1,090 1,115 3,269	0 0 0 0
Subtotal - Eisenhower Grant			2,732	0	6,168	0
Drug Free Schools	NN-N10 NN-N10	84.186 84.186	0 3,714	0 0	913 3,714	0 0
Subtotal - Drug Free Schools			3,714	0	4,627	0
Continuous Improvement	N/A	84.276	5,000	0	0	0
<i>(Direct Assistance U.S. Dept. of Education)</i> Telecommunications Act Grant (FCC E-rate)	N/A	N/A	2,294	0	2,294	0
Total U.S. Department of Education			234,876	0	249,377	0
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$316,415	\$23,021	\$330,916	\$25,098

The notes to the schedule of federal award expenditures are an integral part of this statement

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

Note 1- Significant Accounting Policies

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

Note 2 - Food Distribution

Non-monetary assistance, such as food received from the United States Department of Agriculture, is reported in the schedule at the fair value of the commodities received and consumed. Cash receipts from the United States Department of Agriculture are commingled with state grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant commodities in inventory.

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

Board of Education
Perry Local School District
Allen County
2770 East Breese Road
Lima, Ohio 45806

We have audited the financial statements of Perry Local School District, Allen County, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated December 7, 1999. 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 1999-10202-001.

We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 7, 1999.

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 December 7, 1999.

Board of Education
Perry Local School District
Allen County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

JIM PETRO
Auditor of State

December 7, 1999



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

Board of Education
Perry Local School District
Allen County
2770 East Breese Road
Lima, Ohio 45806

Compliance

We have audited the compliance of the Perry Local School District, Allen County, (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 District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

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

Board of Education
Perry Local School District
Allen County
Report on Compliance With Requirements Applicable to Each Major
Federal Program and 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.

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

JIM PETRO
Auditor of State

December 7, 1999

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED JUNE 30, 1999**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA# 84.010, Title 1 CFDA# 84.027, Special Education Grant
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)

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

Finding Number	1999-10202-001
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Expenditures in Excess of Appropriations

Ohio Rev. Code Section 5705.41(B), states that no subdivision shall make any expenditure of money unless it has been lawfully appropriated. Expenditures exceeded appropriations at the legal level of control (fund, function, object, special cost center) in the following funds for the period ended:

December 31, 1998:	<u>Appropriation</u>	<u>Expenditure</u>	<u>Excess</u>
Special Revenue Fund:			
Elementary Principal Fund			
-Supplies Account	\$15,029	\$18,203	\$3,174
-New Equipment Account	1,855	7,164	5,309
Venture Capital Fund			
-Equipment Account	10,000	11,146	1,146
Band Fund			
-Capital Outlay Account	200	1,659	1,459
JV and Varsity Cheerleaders			
-Uniforms and Emblems Account	2,000	6,986	4,986
Junior High Cheerleaders			
-Capital Outlay Account	0	1,829	1,829
Education Management Information Systems Fund	1,157	3,157	2,000
Title VI-B Fund			
-Tuition/Excess Cost Account	30,000	38,190	8,190
Capital Project Fund:			
Permanent Improvement Fund			
-Educational Equipment Acct.	5,225	21,773	16,548
May 29, 1999:			
Special Revenue Fund:			
Athletic Fund			
-Supplies Account	18,320	22,576	4,256
-Capital Outlay Account	10,730	13,309	2,579
Capital Project Fund:			
Permanent Improvement Fund			
-Educational Equipment Acct.	22,225	24,807	2,582
Permanent Improvement - Track Project Fund			
-Site Improvements Acct.	0	240,110	240,110
Enterprise Fund:			
Uniform School Supply Fund			
-Uniform School Supplies Acct.	28,000	45,669	17,669

The District should monitor its actual expenditures versus appropriations and amend its appropriations when expenditures have materially exceeded its appropriations. This analysis should also include comparing actual receipts with anticipated receipts.



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PERRY LOCAL SCHOOL DISTRICT

ALLEN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 8, 2000**