PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2001

JIM PETRO
AUDITOR OF STATE
STATE OF OHIO

PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Members of the Board of Education:

We have audited the accompanying general-purpose financial statements of the Perry Local School District, Allen County, (the District) as of and for the year ended June 30, 2001, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Perry Local School District, Allen County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2001, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form 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 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. We subjected this information 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

November 8, 2001

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PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2001

	Governmental Fund Types			
	General	**Special Revenue**	**Debt Service**	**Capital Projects**
Assets and Other Debits:				
Equity in Pooled Cash and Cash Equivalents	$1,495,285	$101,751	$182,298	$227,986
Cash and Cash Equivalents with Fiscal Agents				
Investments:				
Investments				4,225,025
Receivables:				
Taxes	2,567,466		328,476	110,593
Accounts	17,260	25		
Intergovernmental	695		127	34
Accrued Interest	4,536			
Interfund Receivable	19,000			
Inventory Held for Resale				
Materials and Supplies Inventory	6,189	596		
Prepaid Items	59,388	986		
Restricted Assets :				
Equity in Pooled Cash and Cash Equivalents	18,265			
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
Accumulated Depreciation:				
Furniture, Fixtures, and Equipment				
Other Debits:				
Amount in Debt Service Fund for Retirement of General Obligation Debt				
Amount to be Provided from General Governmental Resources				
Total Assets and Other Debits	$4,188,084	$103,358	$510,901	$4,563,638
Liabilities:				
Accounts Payable	$19,711	$9,062		$543
Accrued Wages and Benefits	428,342	16,612		
Compensated Absences Payable				
Interfund Payable		5,000		
Intergovernmental Payable	81,574	3,538		
Special Assessment Payable				
Deferred Revenue	2,441,056		328,476	110,593
Undistributed Monies				
Due to Students				
General Obligation Bonds Payable				
Total Liabilities	2,970,683	34,212	328,476	111,136
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings Unreserved				
Fund Balances				
Reserved for Encumbrances	96,477	10,258		113,312
Reserve for Inventory	6,189	596		
Reserved for Property Tax	126,410			
Reserved for Budget Stabilization	18,265			
Unreserved	970,060	58,292	182,425	4,339,190
Total Fund Equity and Other Credits	1,217,401	69,146	182,425	4,452,502
Total Liabilities, Fund Equity and Other Credits	$4,188,084	$103,358	$510,901	$4,563,638

See Accompanying Notes to the General Purpose Financial Statements.

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals
Enterprise	Expendable Trust	General Fixed Assets	General Long Term Debt	(Memorandum Only)
$47,527	$153,564			$2,208,411
	25,794			25,794
				4,225,025
				3,006,535
23,196				40,481
				856
				4,536
				19,000
14,528				14,528
1,437				8,222
2,312				62,686
				18,265
113,586		$4,160,310		4,273,896
(55,608)				(55,608)
			$182,425	182,425
			4,848,483	4,848,483
146,978	179,358	4,160,310	5,030,908	18,883,535
$162				$29,478
21,076				466,030
8,284			276,572	284,856
14,000				19,000
10,035			38,038	133,185
			117,227	117,227
4,840				2,884,965
	25,794			25,794
	28,330			28,330
			4,599,071	4,599,071
58,397	54,124		5,030,908	8,587,936
		4,160,310		4,160,310
600				600
87,981				87,981
				220,047
				6,785
				126,410
				18,265
	125,234			5,675,201
88,581	125,234	4,160,310		10,295,599
$146,978	$179,358	$4,160,310	$5,030,908	$18,883,535

PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Governmental Fund Types				Fiduciary Fund Type	Totals
Revenues:	**General Fund**	**Special Revenue**	**Debt Service**	**Capital Projects**	**Expendable Trust**	**(Memorandum Only)**
Taxes	$2,446,896		$162,759	$111,520		$2,721,175
Intergovernmental	2,242,585	$394,487	12,848	55,254		2,705,174
Payment in Lieu of Taxes	3,385					3,385
Interest	100,904	2,937		175,575	$4,452	283,868
Tuition and Fees	77,646					77,646
Extracurricular Activities	4,536	144,560				149,096
Gifts and Donations		13,997			120,441	134,438
Miscellaneous	64,502	1,188	10,379	14,709		90,778
Total Revenues	4,940,454	557,169	185,986	357,058	124,893	6,165,560
Expenditures:						
Instruction:						
Regular	2,149,448	124,636				2,274,084
Special	340,719	211,564				552,283
Vocational	52,383					52,383
Other	137,995					137,995
Support Services:						
Pupils	103,743	11,940				115,683
Instructional Staff	219,159	21,406				240,565
Board of Education	16,223					16,223
Administration	438,467	60,072				498,539
Fiscal	157,679	2,577	84,905	6,705		251,866
Operation and Maintenance of Plant	524,627					524,627
Pupil Transportation	329,962	14,223				344,185
Central	13,405					13,405
Non-Instructional Services					3,000	3,000
Extracurricular activities	190,419	108,401				298,820
Capital Outlay	7,047			355,048	4,020	366,115
Debt Service:						
Principal Retirement				2,817		2,817
Interest and Fiscal Charges				126,806		126,806
Total Expenditures	4,681,276	554,819	84,905	491,376	7,020	5,819,396
Excess of Revenues Over (Under) Expenditures	259,178	2,350	101,081	(134,318)	117,873	346,164
Other Financing Uses:						
Proceeds from Sale of Bonds			81,344	4,512,420		4,593,764
Operating Transfers In	1,123					1,123
Operating Transfers Out		(1,123)				(1,123)
Total Other Financing Sources (Uses)	1,123	(1,123)	81,344	4,512,420		4,593,764
Excess of Revenue and Other Sources Over Expenditures and Other Uses	260,301	1,227	182,425	4,378,102	117,873	4,939,928
Fund Balance at Beginning of Year	956,410	68,245		74,400	7,361	1,106,416
Increase in Inventory	690					690
Decrease in Reserve for Inventory		(326)				(326)
Fund Balance at End of Year	$1,217,401	$69,146	$182,425	$4,452,502	$125,234	$6,046,708

See Accompanying Notes to the General Purpose Financial Statements.

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PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2001

	General Fund			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	$2,485,669	$2,484,513	($1,156)			
Intergovernmental	2,299,699	2,241,940	(57,759)	$394,487	$394,487	
Payment in Lieu of Taxes	5,800	5,792	(8)			
Interest	110,000	108,605	(1,395)	3,100	2,937	($163)
Tuition and Fees	84,000	83,437	(563)			
Rent	2	2				
Extracurricular Activities				146,375	144,620	(1,755)
Gifts and Donations				14,950	14,763	(187)
Miscellaneous	2,035	2,033	(2)	604	528	(76)
Total Revenues	4,987,205	4,926,322	(60,883)	559,516	557,335	(2,181)
Expenditures:						
Current						
Instruction:						
Regular	2,232,312	2,181,638	50,674	154,366	154,366	
Special	334,790	329,348	5,442	218,901	218,901	
Vocational	54,000	53,393	607			
Other	178,500	175,493	3,007			
Support Services:						
Pupils	99,177	98,645	532	17,269	17,225	44
Instructional Staff	216,653	215,899	754	24,946	24,946	
Board of Education	18,375	18,261	114			
Administration	450,130	444,274	5,856	62,614	61,724	890
Fiscal	166,430	162,233	4,197	2,577	2,577	
Operation and Maintenance of Plant	568,681	567,136	1,545			
Pupil Transportation	344,477	339,879	4,598	14,223	14,223	
Central	15,700	15,498	202			
Non-Instructional Services						
Extracurricular activities	193,872	190,368	3,504	116,908	112,864	4,044
Capital Outlay	10,000	9,753	247			
Debt Service:						
Principal Retirement						
Interest and Fiscal Charges						
Total Expenditures	4,883,097	4,801,818	81,279	611,804	606,826	4,978
Excess of Revenues Over (Under) Expenditures	104,108	124,504	20,396	(52,288)	(49,491)	2,797
Other Financing Sources (Uses):						
Operating Transfers In	1,123	1,123				
Proceeds from Sale of Bonds						
Proceeds from Sale of Long-Term Notes						
Refund of Prior Year Expenditures	39,703	39,415	(288)	920	920	
Advances In	42,000	42,000		41,500	41,500	
Operating Transfers Out				(1,123)	(1,123)	
Refund of Prior Year Receipts				(500)	(500)	
Advances Out	(58,000)	(58,000)		(36,500)	(36,500)	
Total Other Financing Sources (Uses)	24,826	24,538	(288)	4,297	4,297	
Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	128,934	149,042	20,108	(47,991)	(45,194)	2,797
Fund Balances at Beginning of Year	1,063,888	1,063,888		117,270	117,270	
Prior Year Encumbrances Appropriated	184,177	184,177		10,261	10,261	
Fund Balance at End of Year	$1,376,999	$1,397,107	$20,108	$79,540	$82,337	$2,797

See Accompanying Notes to the General Purpose Financial Statements.

Debt Service			Capital Projects			Expendable Trust		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
$163,381	$162,759	($622)	$111,673	$111,520	($153)			
12,721	12,721		55,221	55,221				
			109,500	142,484	32,984	$4,500	$4,452	($48)
						120,600	120,441	(159)
10,500	10,379	(121)	12,500	12,302	(198)			
186,602	185,859	(743)	288,894	321,527	32,633	125,100	124,893	(207)
			42,342	41,834	508			
85,000	84,905	95	6,950	6,705	245			
						3,000	3,000	
			435,919	434,099	1,820	4,020	4,020	
			4,502,817	4,502,817				
			114,386	126,806	(12,420)			
85,000	84,905	95	5,102,414	5,112,261	(9,847)	7,020	7,020	
101,602	100,954	(648)	(4,813,520)	(4,790,734)	22,786	118,080	117,873	(207)
85,000	81,344	(3,656)	4,500,000	4,512,420	12,420			
			4,500,000	4,500,000				
			(2,500)	(2,406)	94			
85,000	81,344	(3,656)	8,997,500	9,010,014	12,514			
186,602	182,298	(4,304)	4,183,980	4,219,280	35,300	118,080	117,873	(207)
			51,378	51,378		7,361	7,361	
			35,409	35,409				
$186,602	$182,298	($4,304)	$4,270,767	$4,306,067	$35,300	$125,441	$125,234	($207)

PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY

COMBINED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND EQUITY PROPRIETARY FUND TYPE FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Enterprise
Operating Revenues:	
Sales	$169,842
Total Operating Revenues	169,842
Operating Expenses:	
Salaries	125,873
Fringe Benefits	46,365
Purchased Services	1,850
Materials and Supplies	867
Cost of Sales	173,270
Depreciation	4,614
Total Operating Expenses	352,839
Operating Loss	(182,997)
Non-Operating Revenues:	
Federal Donated Commodities	23,564
Interest	3,420
Operating Grants	110,317
Total Non-Operating Revenues	137,301
Net Loss	(45,696)
Retained Earnings at Beginning of Year	133,677
Retained Earnings at End of Year	87,981
Contributed Capital at Beginning and End of Year	600
Total Fund Equity at End of Year	$88,581

See Accompanying Notes to the General Purpose Financial Statements.

PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY

COMBINED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND EQUITY
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Enterprise Fund		
	Revised Budget	**Actual**	**Variance: Favorable (Unfavorable)**
Revenues:			
Sales	$164,950	$163,173	($1,777)
Interest	3,450	3,420	(30)
Operating Grants	110,500	110,317	(183)
Total Revenues	278,900	276,910	(1,990)
Expenses:			
Salaries	123,700	123,097	603
Fringe Benefits	46,000	45,357	643
Purchased Services	2,677	2,623	54
Materials and Supplies	160,450	159,402	1,048
Capital Outlay	1,050	1,050	
Total Expenses	333,877	331,529	2,348
Excess of Revenues Under Expenses	(54,977)	(54,619)	358
Advances In	17,000	17,000	
Advances Out	(6,000)	(6,000)	
Excess of Revenues Under Expenses and Advances and Transfers	(43,977)	(43,619)	358
Fund Balance at Beginning of Year	62,117	62,117	
Prior Year Encumbrances Appropriated	27,560	27,560	
Fund Balance at end of Year	$45,700	$46,058	$358

See Accompanying Notes to the General Purpose Financial Statements.

PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY

COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2001

	Enterprise
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Customers	$163,173
Cash Payments to Suppliers for Goods and Services	(160,556)
Cash Payments to Employees for Services	(123,097)
Cash Payments for Employee Benefits	(45,356)
Net Cash Used for Operating Activities	(165,836)
Cash Flows from Noncapital Financing Activities:	
Advances In	17,000
Advances Out	(6,000)
Operating Grants Received	110,317
Net Cash Provided by Noncapital Financing Activities	121,317
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(1,050)
Cash Flows from Investing Activities:	
Cash Received from Interest	3,420
Net Decrease in Cash and Cash Equivalents	(42,149)
Cash and Cash Equivalents at Beginning of Year	89,676
Cash and Cash Equivalents at End of Year	$47,527
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	(182,997)
Adjustments to Reconcile Operating Loss to Net Cash used for Operating Activities:	
Depreciation	4,614
Donated Commodities Used During Year	23,564
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(6,581)
Increase in Inventory Held for Resale	(3,920)
Increase in Materials and Supplies Inventory	(246)
Increase in Prepaid Items	(578)
Decrease in Accounts Payable	(4,055)
Increase in Accrued Wages and Benefits	2,049
Increase in Compensated Absences Payable	1,885
Increase in Intergovernmental Payable	429
Net Cash Used for Operating Activities	($165,836)

See Accompanying Notes to the General Purpose Financial Statements.

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The District is located in Allen County and includes all of Perry Township. It is staffed by 32 non-certificated employees, 54 certificated full-time teaching personnel and 4 administrative employees who provide services to 859 students and other community members. The District currently operates 2 instructional buildings and 1 bus garage.

A. Reporting Entity:

The 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 District. For the District, this includes general operations, food service, and student related activities of the District.

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

The 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 Program. These organizations are presented in Notes 21 and 22 to the general purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation - Fund Accounting

The 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 District functions or activities.

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 District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

1. Governmental Fund Types:

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

General Fund

The general fund is the operating fund of the 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 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.

Debt Service Fund

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

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).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Fund Types:

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

Enterprise Funds

Enterprise funds are used to account for 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 are 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.

3. Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District's fiduciary funds include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4. 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 District, other than those accounted for in the proprietary fund.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the District except those accounted for in the proprietary fund.

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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All proprietary fund types are accounted for using 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. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., 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 fund types and agency funds. The full accrual basis of accounting is followed for the proprietary fund types.

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

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

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in 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 appropriation 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 special cost center level within each fund, function, and object. 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, by state statute to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

1. 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.

2. 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 District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure.

On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. 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 must be legally enacted by the Board of Education at the fund, function, object, and special cost center 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 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, or alter special cost centers within a fund, 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.

4. 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 the proprietary fund.

5. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents

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

During fiscal year 2001, 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, 2001.

Following existing Ohio statutes the Board of Education had, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2001, amounted to $100,904, which includes $6,332 assigned from other 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 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 inventory of the proprietary fund is stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

Inventories of the proprietary fund 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, 2001, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 17 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 proprietary fund is 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 District maintains a capitalization threshold of one hundred dollars. The 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 proprietary fund is computed using the straight-line method over an estimated useful life of ten to twenty years.

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 proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-Reimbursable Grants

Special Revenue Funds

Venture Capital
Professional Development Block Grant
Education Management Information Systems
Disadvantaged Pupil Impact Aid
SchoolNet Professional Development for Teachers and Administrators
Summer School Intervention
Safe Schools Help Line
Eisenhower Math/Science
Title I
Title VI
Title VI-B
Drug-Free Schools
Title VI-R

Capital Projects Fund

SchoolNet- Round 4
ONEnet Connectivity
ONEnet Praise
Interactive Video Distance Learning

Reimbursable Grants

General Fund

Driver Education

Enterprise Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately forty-five percent of the District's governmental operating revenue during the 2001 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.

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 District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 that the 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 District's termination policy. For all funds, the District records a liability for accumulated unused sick leave for classified employees, certified employees, and administrators after ten years of service or for employees 60 years of age or older and five 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 the proprietary fund, 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. Bonds are reported as a liability of the general long-term debt obligations account group until due.

Long-term debt and other obligations financed by the proprietary fund are reported as liabilities in the appropriate proprietary fund.

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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 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, results of operations, or cash flows 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.

3. CHANGES IN ACCOUNTING PRINCIPLE

For fiscal year 2001, the District has implemented Governmental Accounting Standards Board Statement (GASB) No. 33, “*Accounting and Financial Reporting for Nonexchange Transactions*” and GASB Statement No. 36, “*Recipient Reporting for Certain Shared Nonexchange Revenues*.”

GASB Statement No. 33 and 36 establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing of recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established in GASB Statement No. 33 for accrual-basis recognition will have been met and the revenues will be available.

Implementing GASB Statement No. 33 and 36 had no material effect on the financial statements.

4. ACCOUNTABILITY

At June 30, 2001, the Disadvantage Pupil Impact Aid and Drug Free special revenue funds had deficit fund balances of $400 and $4, respectively. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

5. BUDGETARY BASIS OF ACCOUNTING

While the 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 and Actual (Non-GAAP Budgetary Basis) - All Governmental Fund Types and Expendable Trust Fund and the Combined Statement of Revenues, Expenses and Changes in Fund Balances-Budget and Actual (Non-GAAP Budgetary Basis)-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 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).

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 proprietary 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	Debt Service	Capital Projects
GAAP Basis	$260,301	$1,227	$182,425	$4,378,102
Revenue Accruals	25,283	1,086	(127)	(34)
Expenditure Accruals	13,344	(34,984)	0	(11,844)
Prepaids	(17,443)	1,891	0	0
Advances In	42,000	41,500	0	0
Advances Out	(58,000)	(36,500)	0	0
Change in Fair Value	0	0	0	(33,091)
Note Proceeds	0	0	0	4,500,000
Note Retirement	0	0	0	(4,500,000)
Encumbrances Outstanding At Year End (Budget Basis)	(116,443)	(19,414)	0	(113,853)
Budget Basis	$149,042	($45,194)	$182,298	$4,219,280

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Loss of Revenues Under Expenses and Advances
Proprietary Fund Type

	Enterprise
GAAP Basis	($45,696)
Revenue Accrual	(6,582)
Expense Accrual	308
Change in Material and Supply Inventory	(246)
Change in Inventory Held for Resale	(3,920)
Change in Prepaid Items	(578)
Acquisition of Fixed Assets	(1,050)
Depreciation Expense	4,614
Advances In	17,000
Advances Out	(6,000)
Encumbrances Outstanding at Year End (Budget Basis)	(1,469)
Budget Basis	($43,619)

6. DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must be evidenced either 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 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;

6. DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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; and,

6. The State Treasurer's investment pool (STAROhio).

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.

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."*

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

Deposits: At fiscal year end, the carrying amount of the District's deposits was $1,305,408 and the bank balance was $1,495,557. Of the bank balance, $300,000 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 District's name and all state statutory requirements for the investment of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

At fiscal year end, the District's agency funds had a balance of $25,794 consisting of cash with CoreSource for a Section 125 cafeteria plan. The cash is held by CoreSource in a pooled account which is representative of numerous funds, therefore, it cannot be classified by risk under GASB Statement 3.

6. DEPOSITS AND INVESTMENTS (Continued)

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

	Risk Category 2	Carrying Value	Fair Value
Federal Home Loan Bank Consolidated Discount Note	$3,228,725	$3,228,725	$3,228,725
Federal Home Loan Mortgage Corp Discounted Notes	996,300	996,300	996,300
Mutual Funds	0	173,925	173,925
STAR Ohio	0	747,293	747,293
Total	$4,225,025	$5,146,243	$5,146,243

Investments in mutual funds and STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified since they are not evidenced by securities that exist in physical or book entry form.

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

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	$2,226,676	$4,225,025
Cash on Hand	(50)	0
Investments:		
Mutual Funds	(173,925)	173,925
STAROhio	(747,293)	747,293
GASB Statement 3	$1,305,408	$5,146,243

7. PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2001 represent the collection of calendar year 2000 taxes.

7. PROPERTY TAXES (Continued)

Real property taxes were levied after April 1, 2000, on the assessed values as of January 1, 2000, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes were levied after April 1, 2001, on the assessed values as of December 31, 2000, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2001 (other than public utility property) represent the collection of calendar year 2001 taxes. Tangible personal property taxes were levied after April 1, 2001, on the value as of December 31, 2000. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Allen County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2001, are available to finance fiscal year 2002 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, public utility property, and tangible personal property which were measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2001, was $126,410 in the general fund. The amount available as an advance at June 30, 2000, was $164,027 in the general fund.

The assessed values upon which fiscal year 2001 taxes were collected are:

	2000 Second-Half Collections		2001 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	$57,196,800	66.85%	$61,131,620	67.50%
Public Utility Personal	8,009,140	9.36%	7,499,590	8.28%
Tangible Personal Property	20,357,208	23.79%	21,925,197	24.22%
Total Assessed Value	$85,563,148	100.00%	$90,556,407	100.00%
Tax rate per $1,000 of Assessed Valuation	$37.10		$40.84	

In November 2000, a levy of 3.74 mills, for a period of twenty-five years, was passed by the voters of the District, to fund the construction of a west wing to the school building.

8. PAYMENTS IN LIEU OF TAXES

According to State law, the District has entered into agreements with a number of property owners under which the District has granted property tax abatements to those property owners. The property owners have agreed to make payments to the District which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The property owners' contractual promises to make these payments in lieu of taxes generally continue until the agreement expires. Payments in lieu of taxes for fiscal year 2001 amounted to $3,385.

9. RECEIVABLES

Receivables at June 30, 2001, 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.

A summary of the single item of intergovernmental receivable follows:

General Fund:	
Manufactured Home Rollback	$695
Debt Service Fund	
Manufactured Home Rollback	127
Capital Projects Fund	
Permanent Improvement Fund	
Manufactured Home Rollback	34
Total	$856

10. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

Furniture and Equipment	$113,586
Less Accumulated Depreciation	(55,608)
Net Fixed Assets	$57,978

A summary of the changes in general fixed assets during fiscal year 2001 follows:

Asset Category	Balance at 6/30/00	Additions	Deletions	Balance at 6/30/01
Land and Improvements	$ 885,316	$ 0	$ 0	$ 885,316
Buildings	1,322,857	0	0	1,322,857
Furniture, Fixtures and Equipment	1,142,754	90,028	11,749	1,221,033
Vehicles	483,299	51,741	0	535,040
Construction in Progress	3,312	192,752	0	196,064
Totals	$3,837,538	$334,521	$11,749	$4,160,310

11. RISK MANAGEMENT

The 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 2001, the 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	$12,624,755
Automobile Liability ($50 deductible)	1,000,000
Uninsured Motorists ($50 deductible)	1,000,000
General Liability	1,000,000
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.

The District participates in the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Program (the Program), an insurance purchasing pool (Note 22). 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 Program is limited to educational entities that can meet the Program's selection criteria. Each participant must apply annually. The Program 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 District participates in the Allen County Schools Health Benefit Plan (the Plan), which is a public entity shared risk pool consisting of the school districts within Allen County. The 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.

12. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits 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. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

12. DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were $209,523, $137,916, and $129,238, respectively; 82.1 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. $37,587 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

B. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 4.2 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 5.5 percent was the portion used 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 District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were $30,030, $37,672, and $45,270, respectively; 42.1 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. $17,392 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligation account group.

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, 2001, three members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

13. POSTEMPLOYMENT BENEFITS

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

13. POSTEMPLOYMENT BENEFITS (Continued)

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2001, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled $99,248 during the 2001 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was $3.419 million at June 30, 2000 (the latest information available). For the fiscal year ended June 30, 2000, net health care costs paid by STRS were $283,137,000 and STRS had 99,011 eligible benefit recipients.

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

For this fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll; an increase from 1.3 percent for fiscal year 2000. 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 2001, the minimum pay has been established at $12,400. For the District, the amount to fund health care benefits, including surcharge, equaled $76,555 during the 2001 fiscal year.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expense for health care for the fiscal year ended June 30, 2000 (the latest information available), was $140,696,340 and the target level was $211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of $252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

14. 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.

14. EMPLOYEE BENEFITS (Continued)

B Health Care Benefits

The 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 District also contributes to a Flexible Health Benefit Spending Account for each employee, for medical expenses not covered by other health insurance.

15. SHORT-TERM OBLIGATIONS

On December 21, 2000, the District issued $4,500,000 in bond anticipation notes constructing improvements, renovations and additions to school facilities, including equipment and furnishings for a period of 180 days and a stated interest rate of 4.99 percent. These notes were paid off on June 13, 2001.

16. LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2001 were as follows:

	Balance 6/30/00	Additions	Deductions	Balance 6/30/01
General Long Term Obligations				
General Obligation Bonds				
2001 3.40 - 10.19%				
Term Bonds	$0	$1,485,000	$0	$1,485,000
Serial Bonds	0	2,905,000	0	2,905,000
Capital Appreciation Bonds	0	209,071	0	209,071
Total General Obligation Bonds	0	4,599,071	0	4,599,071
Special Assessment	120,044	0	2,817	117,227
Intergovernmental Payable	31,493	38,038	31,493	38,038
Compensated Absences Payable	212,572	64,000	0	276,572
Total General Long-Term Obligations	$364,109	$4,701,109	$34,310	$5,030,908

School Improvement General Obligation Bonds - On March 1, 2001, the District issued $4,999,999 in voted general obligation bonds for constructing, improving, and making additions to school buildings and related site development. The bond issue included serial, term, and capital appreciation bonds in the amount of $2,905,000, $1,485,000 and $209,071, respectively. The bonds will be retired with a voted property tax levy from the debt service fund.

The term bonds maturing on December 1, 2018, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the District. The mandatory redemption is to occur on December 1, in each of the years 2014 through 2016 (with the balance of $215,000 to be paid at stated maturity on December 1, 2018) at a redemption price equal to 100 percent of the principal amount redeemed, and accrued interest to the redemption date, according to the following schedule:

16. LONG-TERM OBLIGATIONS (Continued)

Year	Amount
2014	$180,000
2015	190,000
2016	205,000
2017	210,000

The term bonds maturing on December 1, 2021, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the District. The mandatory redemption is to occur on December 1, in each of the years 2019 through 2020 (with the balance of $255,000 to be paid at stated maturity on December 1, 2021) at a redemption price equal to 100 percent of the principal amount redeemed, and accrued interest to the redemption date, according to the following schedule:

Year	Amount
2019	$245,000
2020	250,000

The term bonds maturing on December 1, 2025, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the District. The mandatory redemption is to occur on December 1, in each of the years 2022 through 2024 (with the balance of $305,000 to be paid at stated maturity on December 1, 2025) at a redemption price equal to 100 percent of the principal amount redeemed, and accrued interest to the redemption date, according to the following schedule:

Year	Amount
2022	$270,000
2023	280,000
2024	300,000

Current serial bonds redeemed by other than mandatory redemption, or purchased for cancellation, may be credited against the applicable mandatory redemption requirement.

The serial bonds maturing after December 1, 2012, are subject to optional redemption, in whole or in part on any date in inverse order of maturity and by lot within a maturity, in integral multiples of $5,000, at the option of the District on or after December 1, at the redemption prices (expressed as percentages of the principal amount to be redeemed) set forth below, and accrued interest to the redemption date:

Redemption Dates (Dates Inclusive)	Redemption Prices
December 1, 2011 through November 30, 2012	101%
December 1, 2012 and thereafter	100%

The capital appreciation bonds will mature in fiscal years 2012 and 2013. The maturity amount of the bonds is $370,000. For fiscal year 2001, $2,964 was accreted for a total bond value of $209,071.

16. LONG-TERM OBLIGATIONS (Continued)

In October 1995, the District entered into a contract with the Allen Water District to construct a water main to supply city water to the District's facilities. Installation was completed in September 1996. The cost to the District was $225,000. The unpaid balance was certified to Allen County Auditor for collection as a special assessment in fiscal year 1998. The special assessments will be paid semiannually from the permanent improvement capital projects fund. The contract with the Water District also allows the District to receive 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.

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

The District's overall legal debt margin was $3,733,431 with an unvoted debt margin of $90,556 at June 30, 2001.

Principal and interest requirements to retire the special assessment outstanding at June 30, 2001, is as follows:

Fiscal Year Ending	Principal	Interest	Total
2002	$ 2,952	$ 6,965	$ 9,917
2003	3,127	6,790	9,917
2004	3,313	6,604	9,917
2005	3,510	6,407	9,917
2006	3,718	6,199	9,917
2007-2011	22,179	27,406	49,585
2012-2016	29,597	19,988	49,585
2017-2021	39,496	10,089	49,585
2022	9,361	556	9,917
Total	$117,253	$91,004	$208,257

Principal and interest requirements to retire the bonds outstanding at June 30, 2001, are as follows:

Fiscal Year Ended	Principal	Interest	Total
2002	$ 125,000	$ 259,828	$ 384,828
2003	130,000	205,738	335,738
2004	135,000	201,273	336,273
2005	140,000	196,435	336,435
2006	150,000	191,278	341,278
2007-2011	805,000	866,652	1,671,652
2012-2016	684,999	990,038	1,675,037
2017-2021	1,175,000	517,070	1,692,070
2022-2026	1,155,000	191,696	1,346,696
Total	$4,499,999	$3,620,008	$8,120,007

17. RESERVATIONS OF FUND BALANCE

The 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 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.

	Textbook	Capital	Budget
Set-aside Cash Balance as of June 30, 2000	$(67,912)	$ 0	$77,849
Revenue Required to be Set-aside	88,351	88,351	0
Termination of Budget Reserve	0	0	(59,584)
Qualifying Expenditures (Paid in Cash)	(201,526)	0	0
Off-set for the current year	0	(112,612)	0
Balance as of June 30, 2001	$(201,087)	$(24,261)	$18,265

The District had qualifying disbursements and offsets during the fiscal year that reduced the textbook and/or capital improvements set-aside amounts below zero. These extra amounts may be used to reduce the set-aside requirements in future fiscal years. The balance of $18,265 in the budget reserve represents the Workers' Compensation portion.

18. INTERFUND ACTIVITY

As of June 30, 2001, receivables and payables that resulted from various interfund transactions were as follows:

	Interfund	
Fund Type/Fund	Receivable	Payable
General Fund	$19,000	
Special Revenue Fund		
Title VI-B		$5,000
Enterprise Fund:		
Uniform Supply		14,000
Total All Funds	$19,000	$19,000

19. GRANTS

The 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 District at June 30, 2001.

20. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The 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 District as of and for the fiscal year ended June 30, 2001.

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	$150,395	$19,447	$169,842
Depreciation Expense	4,614	0	4,614
Operating Loss	(176,073)	(6,924)	(182,997)
Donated Commodities	23,564	0	23,564
Operating Grants	110,317	0	110,317
Advance In	0	17,000	17,000
Advance Out	0	(6,000)	(6,000)
Net Income (Loss)	(39,104)	(6,592)	(45,696)
Fixed Assets Additions	1,050	0	1,050
Net Working Capital	20,614	18,273	38,887
Total Assets	114,699	32,279	146,978
Total Equity	70,308	18,272	88,581
Encumbrances Outstanding at June 30, 2000 (Budget Basis)	710	759	1,469

21. JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative - The 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.

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, 2001, there was no financial information available for this Committee.

21. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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 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 Bradley Brown, Treasurer, Hancock County Educational Service Center, 7746 Co. Rd. 140, Findlay, Ohio 45840-3087.

22. INSURANCE PURCHASING POOLS

Allen County Schools Health Benefit Plan - The 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.

23. SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

1. A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.

2. Fully funding parity aid no later than the beginning of fiscal year 2004, rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of November 9, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may reexamine and redetermine any issue upon such reconsideration.

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

PERRY LOCAL SCHOOL DISTRICT
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED June 30, 2001

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT AGRICULTURE						
Passed through Ohio Department of Education:						
Nutrition Cluster:						
Food Distribution		10.550		$25,076		$23,564
National School Lunch	NN-N2	10.555	$104,185		$104,185	
Total U. S. Department of Agriculture-Nutrition Cluster			104,185	25,076	104,185	23,564
U.S. DEPARTMENT OF EDUCATION						
Passed through Ohio Department of Education:						
Special Education Grants to States						
(IDEA Part B)	NN-N4	84.027	54,223		54,223	
Grants to Local Educational Agencies	NN-N8	84.010	161,447		141,975	
(ESEA Title I)	NN-N8	84.010			25,676	
Subtotal - Title I			161,447		167,651	
Innovative Educational Program	NN-N9	84.298			592	
(Title VI)	NN-N9	84.298	4,283		3,513	
	NN-N9	84.298	451		451	
Subtotal - Title VI			4,734		4,556	
Eisenhower Professional Development State Grants	N/A	84.281	4,398		4,316	
Drug Free Schools	NN-N10	84.187			374	
	NN-N10	84.187	3,589		3,589	
Subtotal - Drug Free Schools			3,589		3,963	
Classroom Size Reduction	NN-N8	84.340	9,242		23,106	
(Title VI-R)	NN-N8	84.340	25,043		18,325	
Subtotal - Title VI-R			34,285		41,431	
Total U.S. Department of Education			262,676		276,140	
TOTAL FEDERAL FINANCIAL ASSISTANCE			**$366,861**	**$25,076**	**$380,325**	**$23,564**

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

PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

NOTE A --SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B -- FOOD DISTRIBUTION

Nonmonetary 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 U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

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

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

To the Members of the Board of Education:

We have audited the financial statements of the Perry Local School District (the District), Allen County, as of and for the year ended June 30, 2001, and have issued our report thereon dated November 8, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated November 8, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 8, 2001.

This report is intended for the information and use of the audit committee, management, 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

November 8, 2001

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

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

To the Members of the Board of Education:

Compliance

We have audited the compliance of Perry Local School District, (the District), Allen County, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2001. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

Internal Control Over Compliance

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

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

This report is intended for the information and use of the audit committee, management, 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

November 8, 2001

PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2001
OMB CIRCULAR A -133 § .505

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)?**	No
(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):**	Nutrition Cluster - CFDA 10.550 and 10.555
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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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
DECEMBER 6, 2001