



**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Perkins Local School District (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 Perkins Local School District, Erie County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust funds 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 January 31, 2002 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

January 31, 2002

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**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001**

	Governmental Fund Types		
	General	Special Revenue	Debt Service
ASSETS AND OTHER DEBITS			
Assets:			
Equity in pooled cash and cash equivalents	\$3,048,616	\$226,136	\$7,790
Equity in pooled cash and cash equivalents - nonexpendable trust fund			
Cash with fiscal agent			1,784
Receivables (net of allowances of uncollectibles):			
Property taxes - current and delinquent	12,200,111		
Accounts	17,208		
Accrued interest	257		
Due from other governments		2,686	
Prepayments	37,644		
Materials and supplies inventory	50,673		
Property, plant and equipment (net of accumulated depreciation where applicable)			
Other debits:			
Amount available in Debt Service Fund			
Amount to be provided for retirement of General Long-Term Obligations			
Total assets and other debits	\$15,354,509	\$228,822	\$9,574

<u>Governmental Fund Type</u>	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
			<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<u>Capital Projects</u>	<u>Enterprise</u>	<u>Trust and Agency</u>			
\$97,085	\$201,235	\$259,237			\$3,840,099
		108,268			108,268
					1,784
458,744					12,658,855
					17,208
					257
					2,686
					37,644
	20,166				70,839
	47,191		\$14,280,825		14,328,016
				\$7,790	7,790
				2,025,502	2,025,502
<u>\$555,829</u>	<u>\$268,592</u>	<u>\$367,505</u>	<u>\$14,280,825</u>	<u>\$2,033,292</u>	<u>\$33,098,948</u>

(Continued)

**PERKINS LOCAL SCHOOL DISTRICT
 ERIE COUNTY
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2001**

	Governmental Fund Types		
	General	Special Revenue	Debt Service
LIABILITIES, EQUITY AND OTHER CREDITS			
Liabilities:			
Accounts payable	\$105,951	\$12,902	
Accrued wages and benefits	1,569,632	25,379	
Compensated absences payable	166,738		
Pension obligation payable	228,086	2,974	
Deferred revenue	11,621,141		
Due to other governments	346		
Due to students			
Matured bonds payable			\$1,784
Energy conservation notes payable			
Total liabilities	13,691,894	41,255	1,784
Equity and other credits:			
Investment in general fixed assets			
Contributed capital			
Retained earnings: unreserved			
Fund balances:			
Reserved for encumbrances	291,613	17,336	
Reserved for supplies inventory	50,673		
Reserved for prepayments	37,644		
Reserved for principal endowment			
Reserved for tax revenue unavailable for appropriation	578,970		
Unreserved-undesignated	703,715	170,231	7,790
Total equity and other credits	1,662,615	187,567	7,790
Total liabilities, equity and other credits	\$15,354,509	\$228,822	\$9,574

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

Governmental Fund Type	Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
			General Fixed Assets	General Long-Term Obligations	
Capital Projects	Enterprise	Trust and Agency			
\$5,000		\$38,573			\$162,426
	\$37,773				1,632,784
	8,433			\$1,219,999	1,395,170
	25,191			113,293	369,544
436,501	15,885				12,073,527
		2			348
		36,384			36,384
					1,784
				700,000	700,000
<u>441,501</u>	<u>87,282</u>	<u>74,959</u>		<u>2,033,292</u>	<u>16,371,967</u>
			\$14,280,825		14,280,825
	59,413				59,413
	121,897				121,897
39,249					348,198
					50,673
					37,644
		108,268			108,268
22,243					601,213
52,836		184,278			1,118,850
<u>114,328</u>	<u>181,310</u>	<u>292,546</u>	<u>14,280,825</u>		<u>16,726,981</u>
<u>\$555,829</u>	<u>\$268,592</u>	<u>\$367,505</u>	<u>\$14,280,825</u>	<u>\$2,033,292</u>	<u>\$33,098,948</u>

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
Revenues:		
From local sources:		
Taxes	\$11,043,156	
Tuition	118,927	
Earnings on investments	265,148	
Other local revenues	158,148	\$201,804
Intergovernmental - State	3,695,548	83,530
Intergovernmental - Federal		376,246
Total revenue	<u>15,280,927</u>	<u>661,580</u>
Expenditures:		
Current:		
Instruction:		
Regular	7,433,054	42,088
Special	1,565,490	281,519
Vocational	379,391	
Other	50,317	
Support services:		
Pupil	1,139,290	32,705
Instructional staff	932,360	34,654
Board of Education	36,195	
Administration	1,179,168	62,249
Fiscal	490,990	
Business	61,677	
Operations and maintenance	1,909,280	2,272
Pupil transportation	766,301	
Central	6,502	8,841
Community services	2,861	20,013
Extracurricular activities	501,146	178,744
Facilities services		
Debt service:		
Principal retirement		
Interest and fiscal charges		
Total expenditures	<u>16,454,022</u>	<u>663,085</u>
Excess of revenues over (under) expenditures	<u>(1,173,095)</u>	<u>(1,505)</u>
Other financing sources (uses):		
Operating transfers in		65,000
Operating transfers out	(107,350)	
Proceeds from sale of assets	3,115	
Total other financing sources (uses)	<u>(104,235)</u>	<u>65,000</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(1,277,330)	63,495
Fund balance July 1	2,929,733	124,072
Increase in reserve for inventory	10,212	
Fund balance, June 30	<u><u>\$1,662,615</u></u>	<u><u>\$187,567</u></u>

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

Governmental Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
	\$427,990		\$11,471,146
		\$1,819	118,927
		253,932	266,967
	203,195		613,884
			3,982,273
			376,246
	<u>631,185</u>	<u>255,751</u>	<u>16,829,443</u>
			7,475,142
			1,847,009
			379,391
			50,317
	34,918	1,443	1,208,356
		582	967,596
			36,195
			1,241,417
	7,842		498,832
			61,677
		134	1,911,686
	14,597		780,898
	21,173	15,563	52,079
		31,400	54,274
			679,890
	283,863	37,800	321,663
\$140,000			140,000
42,350			42,350
<u>182,350</u>	<u>362,393</u>	<u>86,922</u>	<u>17,748,772</u>
<u>(182,350)</u>	<u>268,792</u>	<u>168,829</u>	<u>(919,329)</u>
182,350			247,350
	(140,000)		(247,350)
			3,115
<u>182,350</u>	<u>(140,000)</u>		<u>3,115</u>
	128,792	168,829	(916,214)
7,790	(14,464)	15,449	3,062,580
			10,212
<u>\$7,790</u>	<u>\$114,328</u>	<u>\$184,278</u>	<u>\$2,156,578</u>

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

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

	General Fund		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
From local sources:			
Taxes	\$11,428,120	\$11,428,120	
Tuition	118,927	118,927	
Earnings on investments	277,387	291,639	14,252
Other local revenues	122,129	123,595	1,466
Intergovernmental - State	3,596,659	3,700,523	103,864
Intergovernmental - Federal			
Total revenues	<u>15,543,222</u>	<u>15,662,804</u>	<u>119,582</u>
Expenditures:			
Current:			
Instruction:			
Regular	7,370,160	7,304,341	65,819
Special	1,654,382	1,654,048	334
Vocational	433,790	387,774	46,016
Other	51,749	51,684	65
Support services:			
Pupil	1,630,690	1,228,345	402,345
Instructional staff	957,553	954,718	2,835
Board of Education	37,382	36,589	793
Administration	1,221,578	1,219,073	2,505
Fiscal	486,833	486,353	480
Business	61,513	60,926	587
Operations and maintenance	1,946,831	1,907,098	39,733
Pupil transportation	793,000	777,212	15,788
Central	7,249	6,502	747
Community services	3,190	3,118	72
Extracurricular activities	488,002	485,032	2,970
Facilities services	95,186	95,142	44
Debt service:			
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u>17,239,088</u>	<u>16,657,955</u>	<u>581,133</u>
Excess of revenues over (under) expenditures	<u>(1,695,866)</u>	<u>(995,151)</u>	<u>700,715</u>
Other financing sources (uses):			
Refund of prior year's expenditures	37,815	37,815	
Refund of prior year's (receipts)			
Operating transfers in			
Operating transfers (out)	(126,259)	(125,889)	370
Advances in	97,590	97,590	
Advances (out)			
Proceeds of sale of fixed assets	3,115	3,115	
Discretionary			
Total other financing sources (uses)	<u>12,261</u>	<u>12,631</u>	<u>370</u>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(1,683,605)</u>	<u>(982,520)</u>	<u>701,085</u>
Fund balance, July 1	3,592,153	3,592,153	
Prior year encumbrances appropriated	102,732	102,732	
Fund balance, June 30	<u>\$2,011,280</u>	<u>\$2,712,365</u>	<u>\$701,085</u>

Special Revenue			Debt Service		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$201,770	\$201,804	\$34			
83,741	83,741				
392,501	370,009	(22,492)			
678,012	655,554	(22,458)			
75,227	41,991	33,236			
274,898	259,377	15,521			
33,158	33,072	86			
55,629	45,175	10,454			
86,562	68,546	18,016			
2,323	2,272	51			
12,473	8,841	3,632			
31,880	30,890	990			
186,566	176,615	9,951			
			\$140,000	\$140,000	
			42,350	42,350	
758,716	666,779	91,937	182,350	182,350	
(80,704)	(11,225)	69,479	(182,350)	(182,350)	
65,000	65,000		182,350	182,350	
(9,385)	(9,385)				
55,615	55,615		182,350	182,350	
(25,089)	44,390	69,479			
149,438	149,438		7,790	7,790	
10,442	10,442				
\$134,791	\$204,270	\$69,479	\$7,790	\$7,790	

(Continued)

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

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

	Capital Projects		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
From local sources:			
Taxes	\$447,022	\$447,022	
Tuition			
Earnings on investments			
Other local revenues			
Intergovernmental - State	205,717	203,196	(\$2,521)
Intergovernmental - Federal			
Total revenues	<u>652,739</u>	<u>650,218</u>	<u>(2,521)</u>
Expenditures:			
Current:			
Instruction:			
Regular			
Special			
Vocational			
Other			
Support services:			
Pupil	87,945	84,187	3,758
Instructional staff			
Board of Education			
Administration			
Fiscal	7,850	7,842	8
Business			
Operations and maintenance			
Pupil transportation	15,000	14,597	403
Central	34,000	21,173	12,827
Community services			
Extracurricular activities			
Facilities services	318,668	278,864	39,804
Debt service:			
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u>463,463</u>	<u>406,663</u>	<u>56,800</u>
Excess of revenues over (under) expenditures	<u>189,276</u>	<u>243,555</u>	<u>54,279</u>
Other financing sources (uses):			
Refund of prior year's expenditures			
Refund of prior year's (receipts)			
Operating transfers in			
Operating transfers (out)	(140,000)	(140,000)	
Advances in			
Advances (out)	(88,205)	(88,205)	
Proceeds of sale of fixed assets			
Discretionary			
Total other financing sources (uses)	<u>(228,205)</u>	<u>(228,205)</u>	
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(38,929)</u>	<u>15,350</u>	<u>54,279</u>
Fund balance, July 1	23,223	23,223	
Prior year encumbrances appropriated	19,263	19,263	
Fund balance, June 30	<u><u>\$3,557</u></u>	<u><u>\$57,836</u></u>	<u><u>\$54,279</u></u>

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

Total (Memorandum only)

Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$11,875,142	\$11,875,142	
118,927	118,927	
277,387	291,639	\$14,252
323,899	325,399	1,500
3,886,117	3,987,460	101,343
392,501	370,009	(22,492)
<hr/> 16,873,973	<hr/> 16,968,576	<hr/> 94,603
7,445,387	7,346,332	99,055
1,929,280	1,913,425	15,855
433,790	387,774	46,016
51,749	51,684	65
1,751,793	1,345,604	406,189
1,013,182	999,893	13,289
37,382	36,589	793
1,308,140	1,287,619	20,521
494,683	494,195	488
61,513	60,926	587
1,949,154	1,909,370	39,784
808,000	791,809	16,191
53,722	36,516	17,206
35,070	34,008	1,062
674,568	661,647	12,921
413,854	374,006	39,848
140,000	140,000	
42,350	42,350	
<hr/> 18,643,617	<hr/> 17,913,747	<hr/> 729,870
<hr/> (1,769,644)	<hr/> (945,171)	<hr/> 824,473
37,815	37,815	
0	0	
247,350	247,350	
(266,259)	(265,889)	370
97,590	97,590	
(97,590)	(97,590)	
3,115	3,115	
<hr/> 22,021	<hr/> 22,391	<hr/> 370
(1,747,623)	(922,780)	824,843
3,772,604	3,772,604	
132,437	132,437	
<hr/> \$2,157,418	<hr/> \$2,982,261	<hr/> \$824,843

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating revenues:			
Sales/charges for services	\$560,394		\$560,394
Investment earnings		\$6,540	6,540
Gifts and donations		1,874	1,874
	<hr/>	<hr/>	<hr/>
Total operating revenues	560,394	8,414	568,808
Operating expenses:			
Personal services	306,627		306,627
Contract services	6,994		6,994
Materials and supplies	347,248		347,248
Depreciation	5,083		5,083
Other		6,475	6,475
	<hr/>	<hr/>	<hr/>
Total operating expenses	665,952	6,475	672,427
Operating income (loss)	<hr/> (105,558)	<hr/> 1,939	<hr/> (103,619)
Nonoperating revenues:			
Operating grants	88,892		88,892
Investment earnings	10,180		10,180
Federal commodities	43,851		43,851
	<hr/>	<hr/>	<hr/>
Total nonoperating revenues	142,923		142,923
Net income	37,365	1,939	39,304
Retained earnings/fund balance July 1	<hr/> 84,532	<hr/> 106,329	<hr/> 190,861
Retained earnings/fund balance June 30	<u><u>\$121,897</u></u>	<u><u>\$108,268</u></u>	<u><u>\$230,165</u></u>

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

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Cash flows from operating activities:			
Cash received from sales/service charges	\$560,509		\$560,509
Cash received from other operations		\$1,874	1,874
Cash payments for personal services	(299,281)		(299,281)
Cash payments for contract services	(6,994)		(6,994)
Cash payments supplies and materials	(304,219)		(304,219)
Cash payments for other expenses		(6,475)	(6,475)
	<u>(49,985)</u>	<u>(4,601)</u>	<u>(54,586)</u>
Net cash provided (used) by operating activities			
Cash flows from noncapital financing activities:			
Cash received from operating grants	100,764		100,764
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(6,628)		(6,628)
Cash flows from investing activities:			
Cash received from interest on cash equivalents	10,180	6,540	16,720
Net increase in cash and cash equivalents	54,331	1,939	56,270
Cash and cash equivalents at beginning of year	146,904	106,329	253,233
Cash and cash equivalents at end of year	<u>\$201,235</u>	<u>\$108,268</u>	<u>\$309,503</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	(\$105,558)	\$1,939	(\$103,619)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	5,083		5,083
Federal donated commodities	43,851		43,851
Interest reported as operating income		(6,540)	(6,540)
Changes in assets and liabilities:			
Increase in supplies inventory	(3,856)		(3,856)
Decrease in accounts receivable	115		115
Increase in accrued wages & benefits	3,075		3,075
Increase in compensated absences payable	1,499		1,499
Increase in pension obligation payable	2,772		2,772
Increase in deferred revenue	3,034		3,034
Net cash provided (used) by operating activities	<u>(\$49,985)</u>	<u>(\$4,601)</u>	<u>(\$54,586)</u>

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

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**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

1. DESCRIPTION OF THE SCHOOL DISTRICT

Perkins Local School District (the District) operates under a locally-elected five-member Board form of government and provides educational services mandated by state and/or federal agencies. Located in Erie County, the District serves an area of approximately 72 square miles, including portions of the City of Sandusky and surrounding townships.

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

The District is the 257th largest in the state of Ohio (among 682 Public and Community School Districts) in terms of enrollment and the 3rd largest in Erie County. It currently operates two elementary schools, one middle school and one comprehensive high school. The District employs 90 non-certificated employees and 162 certificated (including administrative) employees to provide services to approximately 2,129 students and various community groups.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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SANDUSKY PUBLIC LIBRARY

The Library is a distinct political subdivision of the State of Ohio governed by a board of trustees. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the District for operational subsidies. The District in 2000 passed a continuing tax replacement levy of .8 mills on behalf of the Library. The District reports these monies in an agency fund.

JOINTLY GOVERNED ORGANIZATIONS

Bay Area Council of Governments

The Bay Area Council of Governments (BACG) is a jointly governed organization. Members of the BACG consist of 26 school districts representing seven counties (Ottawa, Sandusky, Seneca, Erie, Huron, Wood, and Crawford). The BACG was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through the council of governments are natural gas and insurance. The only cost to the District is an administrative charge if it participates in purchasing through the BACG. The membership of BACG consists of the superintendent of each participating school district. The Board of Directors of the BACG consists of one elected representative of each county, the superintendent of the fiscal agent and two non-voting members (administrator and fiscal agent). Members of the Board serve staggered two-year terms. Financial information can be obtained by contacting the Erie Co. ESC, which serves as fiscal agent, at 2900 South Columbus Avenue, Sandusky, Ohio 44870. The District paid \$143,690 to Bay Area Council of Governments during fiscal year 2001.

Northern Ohio Educational Computer Association

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization, which is a computer consortium. NOECA is an association of 41 public school districts formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts. The NOECA Board of Directors consists of two representatives from each county in which participating school districts are located, the chairman of each of the operating committees, and a representative from the fiscal agent. Financial information can be obtained from Betty Schwiefert, who serves as Controller, 2900 South Columbus Avenue, Sandusky, Ohio 44870. The District paid \$25,708 to NOECA during fiscal year 2001.

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

B. Fund Accounting

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

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

GOVERNMENTAL FUNDS

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

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

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

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

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

PROPRIETARY FUNDS

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

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

FIDUCIARY FUNDS

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

**PERKINS LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

ACCOUNT GROUPS

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

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

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

C. Measurement Focus/Basis of Accounting

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

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

The modified accrual basis of accounting is followed for Governmental and Expendable Trust Funds.

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.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

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, interest, grants, entitlements, and accounts (student fees and tuition).

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

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long term obligation principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in Governmental funds.

The Proprietary Funds and the Nonexpendable Trust Fund are accounted for on the accrual basis of accounting. Under the accrual basis of accounting revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense, with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenues.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements, and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The Proprietary funds receive no revenue from property taxes.

D. Budgets

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. The specific timetable for fiscal year 2001 is as follows:

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

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

2. By no later than January 20, the board-adopted budget is filed with the Erie County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of

**PERKINS LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2001.

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than Agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2001 in the following amounts:

	<u>Increase</u>
General Fund	\$1,886,600
Special Revenue Funds	123,350
Capital Projects Funds	97,834
Enterprise Fund	16,650
Expendable Trust Fund	14,207
Nonexpendable Trust Fund	625
Total, All Funds	<u>\$2,139,266</u>

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

**PERKINS LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at year-end (not recognized as accounts payable) appear as a reserve to the fund balance on a GAAP basis (Exhibit 1) and as the equivalent of expenditures on a non-GAAP budgetary basis (Exhibit 3) in order to demonstrate legal compliance. Note 15 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for Enterprise Funds are disclosed in Note 12.

E. Cash and Investments

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

During fiscal 2001, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio).

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2001.

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

Fair value at June 30, 2001	\$0
Add: Proceeds of investments sold and matured during fiscal 2001	2,000,000
Less: Cost of investments purchased during fiscal 2001	0
Less: Fair value at June 30, 2000	<u>(1,994,535)</u>
Increase in fair value of investments	<u><u>\$(5,465)</u></u>

By policy of the Board of Education, all investment earnings are assigned to the General Fund unless the Board approves the transfer of investment earnings to another fund. Interest revenue credited to the General Fund during fiscal 2001 amounted to \$265,148, which includes \$30,591 assigned from other funds.

The District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account at June 30, 2001 was \$1,784.

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

PERKINS LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)

F. Inventory

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

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

G. Prepaids

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

H. Fixed Assets and Depreciation

General Fixed Assets Account Group

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

Proprietary Funds

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

Furniture, Fixtures and Minor Equipment

5 - 20

I. Intergovernmental Revenues

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

**PERKINS LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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measurable and available. Reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary Fund operations (excluding commodities) are recognized as revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

<p><u>Entitlements</u></p> <p><u>General Fund</u> State Foundation Program State Property Tax Relief</p> <p><u>Capital Projects Funds</u> State Property Tax Relief</p> <p><u>Non-Reimbursable Grants</u></p> <p><u>Special Revenue Funds</u> Drug-Free Grant Preschool for the Handicapped Venture Capital Teacher Development Management Information Systems SchoolNet Professional Development Title VI-B Title I</p>	<p><u>Non-Reimbursable Grants - (Continued)</u></p> <p><u>Special Revenue Funds - (Continued)</u> Title VI GOALS 2000 LETA Grants Ohio Reads</p> <p><u>Capital Projects Funds</u> SchoolNet Power-Up Grant</p> <p><u>Reimbursable Grants</u></p> <p><u>General Fund</u> School Bus Purchases Driver Education Vocational Education Travel/Salary</p> <p><u>Proprietary Funds</u> National School Lunch Program National School Milk Program</p>
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Grants and entitlements amounted to more than 25% of the District's operating revenue during the 2001 fiscal year.

J. Interfund Transactions

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable".

**PERKINS LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives the service records an expenditure/expense.
5. Residual equity transfers are non-recurring and non-routine permanent transfers of equity, generally made when a fund is closed.
6. Long-term interfund loans will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of the District's interfund transactions for fiscal year 2001 is presented in Note 5.

K. Compensated Absences

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

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

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

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

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

The District, in collective bargaining agreements with employee labor unions, has agreed to pay classified employees (eligible to retire) a bonus based upon age and years of service. The amount of the bonus ranges from \$870 to \$5,160. Certified employees eligible to retire are also

**PERKINS LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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eligible for a bonus. The bonus is \$15,000 and depends upon age and years of service. Any employee who reaches 30 years of service must take advantage of the bonus (by retiring) or forfeit eligibility for the bonus. Bonus payments have been included in the calculation for the total compensated absences liability.

L. 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, contractually required pension contributions, and special termination benefits 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 sixty days after year-end are generally considered not to have been paid with current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the General Long-Term Obligations Account Group until due.

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

M. Fund Equity

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, prepaid assets, and tax revenue unavailable for appropriation. In addition, although the Nonexpendable Trust fund uses the total economic resources measurement focus, the fund equity is reserved for the amount of the principal endowment. The reserve for property taxes represents taxes recognized as revenue under GAAP, but not available for appropriation under State Statute. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

N. Statutory Reserves

The District is required by state law to set aside certain (cash-basis) General fund revenue amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 2001, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of June 30, 2000	(\$64,195)		\$311,865
Current Year Set-aside Requirement	364,774	\$364,774	
Change in Statutory Requirements			(311,865)
Qualifying Disbursements	<u>(596,255)</u>	<u>(601,035)</u>	
Total	<u>(\$295,676)</u>	<u>(\$236,261)</u>	
Cash Balance Carried Forward to FY 2002	<u>(\$295,676)</u>	<u>(\$236,261)</u>	

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

The District had offsets and qualifying disbursements during the year that reduced the textbooks set-aside amount below zero; this extra amount is being carried forward to reduce the set-aside requirements of future years.

Although the District had offsets and qualifying disbursements during the year that reduced the capital acquisition set-aside amount below zero, this extra amount may not be used to reduce the set-aside requirements of future years. This negative amount is therefore not presented as being carried forward to the next fiscal year.

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended Ohio Revised Code Section 5705.29, effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. All monies previously reported in the budget stabilization reserve are now reported as unreserved and undesignated fund balance in the general fund. The District is still required by state law to maintain the textbook reserve and capital acquisition reserve.

O. Statement of Cash Flows

In September 1989, GASB issued Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds in Governmental Entities That Use Proprietary Fund Accounting. The District has presented (Exhibit 5) a statement of cash flows for its Proprietary and Nonexpendable Trust funds. For purposes of the statement of cash flows, the District considers cash equivalents to include investments of the cash management pool and all short term investments (maturity of 90 days or less from date of purchase).

P. Financial Reporting for Proprietary and Similar Fund Types

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

Q. Estimates

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

R. Memorandum Only - Total Columns

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

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

3. ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principle

GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, and GASB Statement No. 36, Recipient Reporting for Certain Shared Nonexchange Revenues, were implemented during fiscal 2001. These statements pertain to the financial reporting of certain types of revenue received by the District for which no value is given in return, including derived tax revenues, imposed nonexchange transactions, government-mandated nonexchange transactions, and voluntary nonexchange transactions. The adoption of these statements had no effect on fund balances/retained earnings as previously reported by the District at June 30, 2000.

B. Deficit Fund Balances

Fund balances at June 30, 2001 included the following individual fund deficits:

<u>Special Revenue Funds</u>	<u>Deficit Balance</u>
Management Information Systems	\$(1,906)
Title I	(4,768)
Preschool for the Handicapped	(29)

These deficits, caused by the application of generally accepted accounting principles, will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The General fund provides transfers for deficit balances; however, transfers are made when cash is needed rather than when accruals occur.

C. Agency Fund

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

<u>ASSET</u>	
Taxes receivable - Current and Delinquent	<u>\$224,719</u>

4. EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

**PERKINS LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, Notes, Debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days from the date of purchase in an amount not to exceed 25% of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

**PERKINS LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
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securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand: At year-end, the District had \$600 in undeposited cash on hand, which is included on the combined balance sheet as part of "Equity in Pooled Cash and Cash Equivalents," but is not included in the total amount of deposits reported below.

Cash with Fiscal Agent: At year-end, \$1,784 was on deposit with the District's fiscal agent and included in the total amount of deposits reported below; however, this amount is not part of the internal cash pool reported on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents".

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

Deposits: At year-end the carrying amount of the District's deposits was \$1,476,792 and the bank balance was \$1,852,471. Of the bank balance:

1. \$200,000 was covered by federal deposit insurance; and
2. \$2,630 was covered by collateral held by a qualified third party trustee in the name of the District. Although the securities serving as collateral were held by the pledging financial institution's trust department in the District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation; and
3. \$1,649,841 was uninsured and uncollateralized because it was secured with securities held by the pledging institution, trust department, or safekeeping agent, but not in the District's name. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District held to a successful claim by the FDIC.

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

	<u>Fair Value</u>
Not Subject to Categorization:	
Investment in State Treasurer's Investment Pool	<u>\$2,472,759</u>
Total Investments	<u>\$2,472,759</u>

**PERKINS LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

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

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

	Equity in Pooled Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$3,948,367	
Investments of the Cash Management Pool:		
State Treasurer's Investment Pool	(2,472,759)	\$2,472,759
Cash on Hand	(600)	
Cash with Fiscal Agent	1,784	
Per GASB Statement No. 3	\$1,476,792	\$2,472,759

5. INTERFUND TRANSACTIONS

The following is a reconciliation of the District's operating transfers for 2001.

Fund	Transfers In	Transfers (Out)
General Fund		(\$107,350)
Special Revenue Funds:		
District Managed Activity	\$30,000	
Management Information Systems	35,000	
Debt Service Fund	182,350	
Capital Projects Funds:		
Permanent Improvement		(140,000)
Totals	\$247,350	(\$247,350)

6. PROPERTY TAXES

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

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

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed

**PERKINS LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

at 100% of market value, except for the personal property of rural electric companies, which is assessed at 50% of market value, and railroads, which are assessed at 29% of market value.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The first \$10,000 of assessed value is exempt from taxation. The District receives a state subsidy in lieu of tax revenue which would otherwise have been collected.

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

	2000 Second-half Collections		2001 First-half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$244,026,310	77.80%	\$271,141,280	80.12%
Public Utility Personal	20,497,250	6.50%	18,256,610	5.40%
Tangible Personal Property	49,148,893	15.70%	49,017,253	14.48%
Total Assessed Valuation	<u>\$313,672,453</u>	<u>100.00%</u>	<u>\$338,415,143</u>	<u>100.00%</u>

Tax rate per \$1,000 of assessed valuation:

Operations	\$58.90	\$58.90
Permanent Improvements	2.00	2.00

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

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2001 are reflected as a reservation of fund balance for tax advance unavailable for appropriation. The District is prohibited, by law, from appropriating this revenue in accordance with ORC § 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2001, totaled \$578,970 in the General Fund and \$22,243 in the Permanent Improvements Fund.

**PERKINS LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

7. RECEIVABLES

Receivables at June 30, 2001 consisted of taxes, accounts (tuition and student fees), and intergovernmental grants and entitlements. 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 year guarantee of federal funds.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - Current and Delinquent	\$12,200,111
<u>Capital Projects Fund</u>	
Taxes - Current and Delinquent	458,744

8. FIXED ASSETS

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

	Balance at 7/1/00	Increases	Decreases	Balance at 6/30/01
Land/Improvements	\$652,169			\$652,169
Buildings	9,125,985	\$131,790		9,257,775
Furniture/Equipment	2,560,022	252,027	\$92,872	2,719,177
Vehicles	1,517,031	218,098	83,425	1,651,704
Construction in progress	15,800		15,800	
Total	\$13,871,007	\$601,915	\$192,097	\$14,280,825

A summary of the Proprietary Funds fixed assets at June 30, 2001 follows:

Furniture and Equipment	\$123,659
Less: Accumulated Depreciation	76,468
Net Fixed Assets - Proprietary Funds	<u>\$47,191</u>

9. CONTRIBUTED CAPITAL

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

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

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

10. LONG-TERM OBLIGATIONS

In fiscal year 1995, the District issued unvoted long-term "energy conservation" notes, under authority of H.B. 264. Energy conservation notes outstanding are general obligations of the District, for which the District's full faith and credit are pledged for repayment. Accordingly, these notes are accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to these notes are recorded as expenditures in the Debt Service fund; however, unlike general obligation bonds, Ohio Statute allows for the issuance of these notes without voter approval, and the subsequent repayment of the notes from operating revenues.

A. The following is a description of the District's energy conservation notes outstanding as of June 30, 2001:

	Interest Rates	Maturity Date	Notes Outstanding at 7/1/00	Retired in Fiscal 2001	Notes Outstanding at 6/30/01
H.B. 264 - Energy Conservation Notes	5.5%	11/22/05	<u>\$840,000</u>	<u>\$140,000</u>	<u>\$700,000</u>

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

Year Ending June 30	Principal	Interest	Total
2002	\$140,000	\$34,650	\$174,650
2003	140,000	26,950	166,950
2004	140,000	19,250	159,250
2005	140,000	11,550	151,550
2006	140,000	3,850	143,850
Total	<u>\$700,000</u>	<u>\$96,250</u>	<u>\$796,250</u>

C. During the year ended June 30, 2001, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Groups. Compensated absences will be paid from the fund from which the employee is paid.

	Balance at 7/1/00	Increase	Decrease	Balance at 6/30/01
Compensated Absences	\$1,100,613	\$119,386		\$1,219,999
Pension Obligation Payable	114,967	113,293	114,967	113,293
HB 264 Energy Conservation Notes	840,000		140,000	700,000
Total	<u>\$2,055,580</u>	<u>\$232,679</u>	<u>\$254,967</u>	<u>\$2,033,292</u>

D. Legal Debt Margin

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

**PERKINS LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

further provides that unvoted indebtedness for energy conservation measures shall not exceed 9/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2001 are a voted debt margin of \$30,465,153 (including available funds of \$7,790), an unvoted debt margin of \$338,415, and an unvoted energy conservation debt margin of \$2,345,736.

11. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has purchased insurance coverage for these risks from commercial carriers, at a cost it considered to be economically justifiable.

Settled claims have not exceeded this commercial coverage in any of the last three fiscal years. There have been no significant reductions in insurance coverage from fiscal year 2000.

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

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

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

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

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 14. As such, no funding provisions are required by the District.

**PERKINS LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

12. SEGMENT INFORMATION

The District maintains one Enterprise fund, which provides lunchroom/cafeteria services; therefore, segment information for the year ended June 30, 2001, is not presented. The Enterprise fund had \$5,333 of encumbrances outstanding at June 30, 2001.

13. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides basic retirement and disability benefits, cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand alone 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% of their annual covered salary and the District is required to contribute at an actuarially determined rate, which was 14% for 2001; 4.2% was the portion to fund pension obligations. The contribution rates of plan members and employers are established and may be amended by the School Employees Retirement Board, up to maximum amounts allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$310,500, \$326,375, and \$297,811, respectively; 47% has been contributed for fiscal year 2001 and 100% for the fiscal years 2000 and 1999. \$162,696, which represents the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 9.5% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$1,079,098, \$1,021,341, and \$975,347, respectively; 83% has been contributed for fiscal year 2001 and 100% for the fiscal years 2000

**PERKINS LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

and 1999. \$180,816, which represents the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2001, members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

14. POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. Through June 30, 2001, the Board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$341,355 during the 2001 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion at June 30, 2000 (the latest information available). For the year ended June 30, 2000 net health care costs paid by STRS were \$283.137 million and there were 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

For this fiscal year, employer contributions to fund health care benefits were 9.8% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2000 (the latest information available), were \$140.7 million and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million and there were approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$241,396 during the 2001 fiscal year.

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

15. BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental Fund Types			
	General	Special Revenue	Capital Projects
Budget Basis	(\$982,520)	\$44,390	\$15,350
Net adjustment for revenue accruals	(381,877)	6,026	(19,033)
Net adjustment for expenditure accruals	(132,318)	(18,172)	5,021
Net adjustment for other financing sources/(uses)	(116,866)	9,385	88,205
Adjustment for encumbrances	336,251	21,866	39,249
GAAP Basis	(\$1,277,330)	\$63,495	\$128,792

16. CONTINGENT LIABILITIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2001.

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

B. Litigation

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

C. 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:

- 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.
- 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 January 31, 2002, 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 re-examine 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.

**PERKINS LOCAL SCHOOL DISTRICT
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**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Grant Number	Receipts	Non-Cash Receipts	Disburse- ment	Non-Cash Disburse- ment
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed through the Ohio Department of Education</i>						
<u>Child Nutrition Cluster:</u>						
Food Distribution	10.550			\$47,115		\$43,851
National School Lunch	10.555	03-PU-99 03-PU-00 04-PU-99 04-PU-00	\$97,474		\$94,474	
Total - National School Lunch			<u>97,474</u>		<u>94,474</u>	
Total Department of Agriculture - Child Nutrition Cluster			<u>97,474</u>	<u>47,115</u>	<u>94,474</u>	<u>43,851</u>
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed through the Ohio Department of Education</i>						
<u>Special Education Cluster:</u>						
Special Education Grants to States (IDEA Part B)	84.027	6B-SF-00P	171,613		171,613	
Special Education - Preschool Grant	84.173	PG-S1-00P	10,105		10,105	
Total - Special Education Cluster			<u>181,718</u>		<u>181,718</u>	
Grants to Local Educational Agencies Title I	84.010	C1-S1-00	103,285		87,764	
Class Size Reduction	85.340	CR-S1-00	20,030		28,614	
Class Size Reduction		CR-S1-01	<u>9,329</u>		<u>3,690</u>	
Total - Class Size Reduction			<u>29,359</u>		<u>32,304</u>	
Goals 2000	84.276	G2-S5-99	29,795		29,795	
Innovative Educational Program Strategy	84.298	C2-S1-00 C2-S1-01	<u>10,523</u>		4,993 <u>4,694</u>	
Total - Innovative Educational Program			<u>10,523</u>		<u>9,687</u>	
Drug Free Safe Schools	84.186		8,817		8,817	
Eisenhower Grant	84.281		<u>6,512</u>		<u>2,185</u>	
Total Department of Education			<u>370,009</u>		<u>352,270</u>	
TOTAL FEDERAL ASSISTANCE			<u><u>\$467,483</u></u>	<u><u>\$47,115</u></u>	<u><u>\$446,744</u></u>	<u><u>\$43,851</u></u>

The accompanying notes are an integral part of this schedule.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

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



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

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

To the Board of Education:

We have audited the financial statements of Perkins Local School District (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated January 31, 2002. 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 District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated January 31, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 31, 2002.

Perkins Local School District
Erie County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

Jim Petro
Auditor of State

January 31, 2002



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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**

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

To the Board of Education:

Compliance

We have audited the compliance of Perkins Local School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that is 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 each of its major federal programs 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, the Board of Education, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

January 31, 2002

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2001**

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 noncompliance 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):	<u>Special Education Cluster:</u> Special Education Grants to States and Special Education - Preschool Grants CFDA # 84.027 and 84.173
(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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PERKINS LOCAL SCHOOL DISTRICT

ERIE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 28, 2002**