

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2009**

LISA M. CRESCIMANO, TREASURER



Mary Taylor, CPA
Auditor of State

Board of Education
Perkins Local School District
1210 East Bogart Road
Sandusky, Ohio 44870

We have reviewed the *Independent Auditor's Report* of the Perkins Local School District, Erie County, prepared by Julian & Grube, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Perkins Local School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 8, 2010

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**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

Board of Education
Perkins Local School District
1210 East Bogart Road
Sandusky, Ohio 44870

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Perkins Local School District, Erie County, Ohio, as of and for the fiscal year ended June 30, 2009 which collectively comprise Perkins Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Perkins Local School District's management. Our responsibility is to express opinions on these 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 the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Perkins Local School District, Erie County, Ohio, as of June 30, 2009, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the fiscal 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 December 7, 2009, on our consideration of Perkins Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Independent Auditor's Report
Perkins Local School District
Page Two

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
December 7, 2009

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The management's discussion and analysis of the Perkins Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2009 are as follows:

- In total, net assets of governmental activities increased \$1,967,560 which represents a 17.06% increase from 2008.
- General revenues accounted for \$21,771,899 in revenue or 84.29% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,056,467 or 15.71% of total revenues of \$25,828,366.
- The District had \$23,860,806 in expenses related to governmental activities; only \$4,056,467 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$21,771,899 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and the permanent improvement fund. The general fund had \$21,904,494 in revenues and \$21,223,437 in expenditures and other financing uses. During fiscal year 2009, the general fund's fund balance increased \$675,332 from a balance of \$4,357,353 to a balance of \$5,032,685.
- The permanent improvement fund had \$3,218,704 in revenues and other financing sources and \$5,269,758 in expenditures and other financing uses. During fiscal year 2009, the permanent improvement fund's fund balance decreased \$2,051,054 from a balance of \$2,356,022 to a balance of \$304,968.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net assets* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and permanent improvement fund are by far the most significant funds, and the only governmental funds reported as major funds.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2009?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance, pupil transportation central, operation of non-instructional services, extracurricular activities, and food service operations and interest and fiscal charges.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the permanent improvement fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* basis of accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and Changes in fiduciary net assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-50 of this report.

The District as a Whole

The table below provides a summary of the District's net assets at June 30, 2009 and June 30, 2008.

	Net Assets	
	Governmental Activities 2009	Governmental Activities 2008
<u>Assets</u>		
Current and other assets	\$ 21,129,554	\$ 21,981,026
Capital assets, net	<u>10,091,757</u>	<u>6,253,728</u>
Total assets	<u>31,221,311</u>	<u>28,234,754</u>
<u>Liabilities</u>		
Current liabilities	13,069,646	13,528,503
Long-term liabilities	<u>4,653,537</u>	<u>3,175,683</u>
Total liabilities	<u>17,723,183</u>	<u>16,704,186</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	6,525,849	5,373,670
Restricted	1,077,658	1,603,632
Unrestricted	<u>5,894,621</u>	<u>4,553,266</u>
Total net assets	<u>\$ 13,498,128</u>	<u>\$ 11,530,568</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the District's assets exceeded liabilities by \$13,498,128.

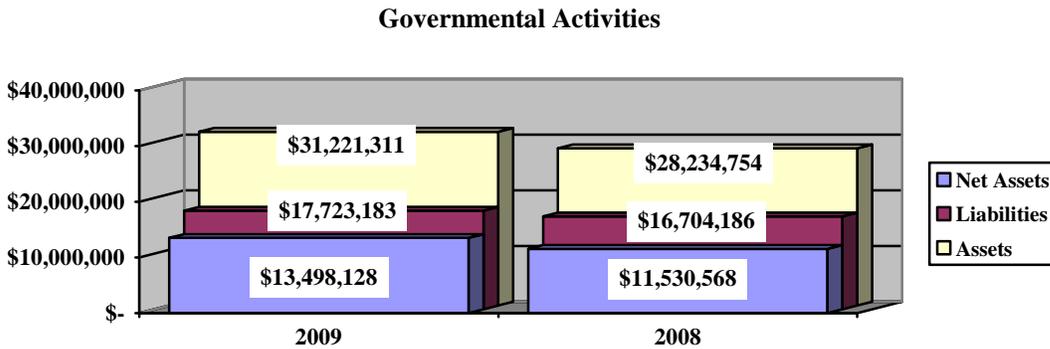
**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

At fiscal year-end, capital assets represented 32.32% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2009, were \$6,525,849. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$1,077,658, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$5,894,621 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below presents the District's governmental assets, liabilities and net assets at June 30, 2009 and June 30, 2008.



The table below shows the change in net assets for fiscal years 2009 and 2008.

Change in Net Assets

	Governmental Activities 2009	Governmental Activities 2008
Revenues		
Program revenues:		
Charges for services and sales	\$ 2,474,585	\$ 1,252,969
Operating grants and contributions	1,538,929	1,302,081
Capital grants and contributions	42,953	55,707
General revenues:		
Property taxes	14,177,343	13,834,881
Grants and entitlements	7,399,938	6,584,189
Investment earnings	130,044	305,339
Other	64,574	78,729
Total revenues	25,828,366	23,413,895

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Change in Net Assets

	<u>Governmental Activities 2009</u>	<u>Governmental Activities 2008</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 10,698,634	\$ 9,214,541
Special	2,835,625	2,516,342
Vocational	154,784	218,252
Other	408,419	358,945
Support services:		
Pupil	1,657,484	1,445,673
Instructional staff	1,128,098	1,049,193
Board of education	23,256	32,376
Administration	1,460,435	1,632,203
Fiscal	581,201	574,202
Business	12,014	25,962
Operations and maintenance	2,105,584	2,011,486
Pupil transportation	901,425	932,341
Central	71,113	60,706
Operations of non-instructional services:		
Food service operations	929,462	916,180
Other non-instructional services	50,304	44,013
Extracurricular activities	718,799	704,515
Interest and fiscal charges	<u>124,169</u>	<u>24,889</u>
Total expenses	<u>23,860,806</u>	<u>21,761,819</u>
Change in net assets	1,967,560	1,652,076
Net assets at beginning of year	<u>11,530,568</u>	<u>9,878,492</u>
Net assets at end of year	<u>\$ 13,498,128</u>	<u>\$ 11,530,568</u>

Governmental Activities

Net assets of the District's governmental activities increased \$1,967,560. Total governmental expenses of \$23,860,806 were offset by program revenues of \$4,056,467 and general revenues of \$21,771,899. Program revenues supported 17.00% of the total governmental expenses. During fiscal year 2009, the District had additions to capital assets of \$4,468,665, made up in part of \$1,159,714 in construction projects that were completed and capitalized during the year.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These two revenue sources represent 83.54% of total governmental revenue.

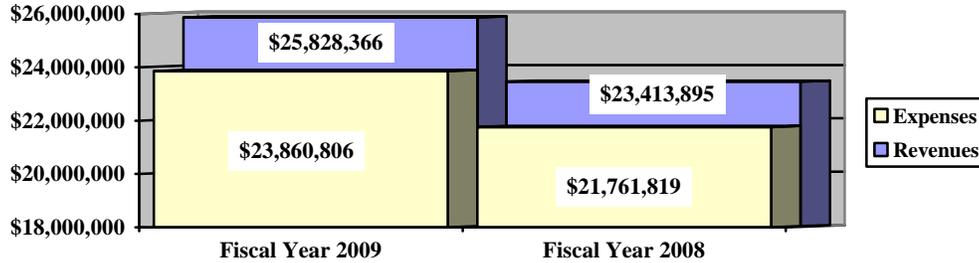
The largest expense of the District is for instructional programs. Instruction expenses totaled \$14,097,462 or 59.08% of total governmental expenses for fiscal year 2009.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2009 and 2008.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
Program expenses				
Instruction:				
Regular	\$ 10,698,634	\$ 8,995,311	\$ 9,214,541	\$ 8,858,166
Special	2,835,625	2,136,730	2,516,342	1,835,249
Vocational	154,784	153,818	218,252	210,087
Other	408,419	408,419	358,945	358,945
Support services:				
Pupil	1,657,484	1,476,830	1,445,673	1,251,689
Instructional staff	1,128,098	1,107,178	1,049,193	1,028,848
Board of education	23,256	23,196	32,376	32,376
Administration	1,460,435	1,403,216	1,632,203	1,575,629
Fiscal	581,201	580,480	574,202	572,967
Business	12,014	12,014	25,962	25,962
Operations and maintenance	2,105,584	2,082,130	2,011,486	1,978,636
Pupil transportation	901,425	815,064	932,341	850,747
Central	71,113	40,623	60,706	40,636
Operations of non-instructional services:				
Food service operations	929,462	(25,775)	916,180	34,174
Other non-instructional services	50,304	(6,391)	44,013	13,605
Extracurricular activities	718,799	477,327	704,515	458,457
Interest and fiscal charges	124,169	124,169	24,889	24,889
Total expenses	<u>\$ 23,860,806</u>	<u>\$ 19,804,339</u>	<u>\$ 21,761,819</u>	<u>\$ 19,151,062</u>

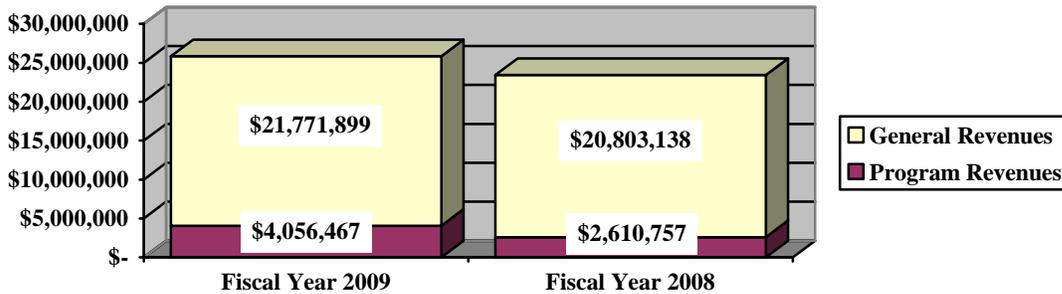
**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

The dependence upon tax and other general revenues for governmental activities is apparent, 82.95% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 83.00%. The District's taxpayers and grants and entitlements are the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2009 and 2008.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$6,111,781, which is less than last year's balance of \$7,415,634. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and June 30, 2008.

	Fund Balance June 30, 2009	Fund Balance June 30, 2008	Increase/ (Decrease)
General	\$ 5,032,685	\$ 4,357,353	\$ 675,332
Permanent improvement	304,968	2,356,022	(2,051,054)
Other governmental	<u>774,128</u>	<u>702,259</u>	<u>71,869</u>
Total	<u>\$ 6,111,781</u>	<u>\$ 7,415,634</u>	<u>\$(1,303,853)</u>

General Fund

The District's general fund balance increased \$675,332. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>2009</u> <u>Amount</u>	<u>2008</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 12,702,056	\$ 13,125,482	(3.23) %
Tuition	1,405,000	205,020	585.30 %
Earnings on investments	125,160	300,022	(58.28) %
Intergovernmental	7,432,871	6,733,725	10.38 %
Other revenues	<u>239,407</u>	<u>220,411</u>	8.62 %
Total	<u>\$ 21,904,494</u>	<u>\$ 20,584,660</u>	6.41 %
<u>Expenditures</u>			
Instruction	\$ 13,219,327	\$ 11,452,594	15.43 %
Support services	7,388,981	7,060,459	4.65 %
Operation of non-instructional services	1,345	-	100.00 %
Extracurricular activities	494,467	499,456	(1.00) %
Facilities acquisition and construction	<u>-</u>	<u>992</u>	(100.00) %
Total	<u>\$ 21,104,120</u>	<u>\$ 19,013,501</u>	11.00 %

The decrease in earnings on investments is due to declining interest rates. Intergovernmental revenue increased \$699,146, or 10.38%, from the prior year, and is due to the tangible personal property tax reimbursement. Tuition revenue increased \$1,199,980, or 585.50%, from the prior year due to open enrollment. Other revenue increased \$18,996 and is comprised of receipts which are not categorized elsewhere. The expenditures of the general fund increased from the prior year due primarily to instructional services which increased because of salary raises for teachers.

Permanent Improvement Fund

The permanent improvement fund had \$3,218,704 in revenues and other financing sources and \$5,269,758 in expenditures and other financing uses. During fiscal year 2009, the permanent improvement fund's fund balance decreased \$2,051,054, primarily due to payments on a construction contract, from a balance of \$2,356,022 to a balance of \$304,968.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal year 2009, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$20,429,211 and final budgeted revenues and other financing sources were \$21,545,967. The \$1,116,756 increase was primarily a result of additional monies expected to be received from taxes and state intergovernmental revenue. Actual revenues and other financing sources for fiscal year 2009 were \$21,757,251. This represents a \$211,284 increase from final budgeted revenues.

General fund original and final appropriations (appropriated expenditures including other financing uses) were \$21,056,161 and \$22,232,234. The actual budget basis expenditures and other financing uses for fiscal year 2009 totaled \$21,428,950, which was \$803,284 less than the final budget appropriations.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2009, the District had \$10,091,757 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. This entire amount is reported in governmental activities. The table that follows shows June 30, 2009 balances compared to June 30, 2008:

	Capital Assets at June 30 (Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Land	\$ 647,925	\$ 647,925
Construction in progress	1,919,772	760,058
Land improvements	649,496	471,738
Buildings and improvements	3,011,196	3,130,817
Furniture and equipment	3,461,402	783,944
Vehicles	<u>401,966</u>	<u>459,246</u>
Total	<u>\$ 10,091,757</u>	<u>\$ 6,253,728</u>

The overall increase in capital assets of \$3,838,029 is due to capital outlays of \$4,468,665 exceeding depreciation expense of \$616,768 and disposals of \$13,868 (net of accumulated depreciation). During fiscal year 2009, the District entered into capital leases for \$2,374,148 with Apple, Inc. for computers and equipment.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2009, the District had \$60,000 in notes and \$3,505,908 in capital lease obligations outstanding. Of this total, \$733,845 is due within one year and \$2,832,063 is due in greater than one year. The following table summarizes the notes and capital lease obligations outstanding at June 30, 2009 and June 30, 2008.

	Outstanding Debt, at Year End	
	Governmental Activities	Governmental Activities
	<u>2009</u>	<u>2008</u>
Capital lease obligation- HB264 Project	\$ 1,773,333	\$ 1,900,000
Capital lease obligation- Apple Equipment	1,732,575	-
Land purchase note	<u>60,000</u>	<u>120,000</u>
Total	<u>\$ 3,565,908</u>	<u>\$ 2,020,000</u>

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The land purchase notes are scheduled to mature in fiscal year 2010. Payment of principal and interest on the note is being made from permanent improvement levy fund monies transferred to the debt service fund. The capital lease obligation for the HB264 project is scheduled to mature in fiscal year 2023. Payment of principal and interest on the capital lease is being made from the permanent improvement fund. The capital lease obligation for Apple equipment is scheduled to mature in fiscal year 2012. Payment of principal and interest on the capital lease is being made from the permanent improvement fund.

See Note 9 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activity

As with many school districts in Ohio, the Perkins Local School District is faced with the challenge of maintaining the highest standards of education and the most equitable cost for our community. The District relies heavily upon real estate taxes and State funding as the major sources of revenue.

The District has carefully managed its general fund budgets in order to optimize the dollars available for educating the students it serves, and to minimize the levy millage amounts needed periodically from the community's citizens. During the 2008-2009 school year, the District implemented open enrollment, and netted \$1,144,065 which provided the dollars needed to continue operating effectively. Sound fiscal management by the Board of Education and Administration has enabled the District to maintain a healthy cash balance and continue a quality, comprehensive educational program.

The District currently has an adequate cash balance to meet operating expenses for the next couple of years. However, in fiscal year 2011 our projections show operating expenses exceeding operating revenue and that trend is projected to continue over the remainder of the District's five-year forecast. In spite of this, the Board will continue to evaluate all aspects of its operations, making prudent decisions where appropriate, in order to maximize its resources and offer excellent educational offerings.

The financial future of the Perkins Local School District is not without its challenges. These challenges are internal and external in nature. The internal challenges will continue to exist as the District must rely on local property taxes to fund its operations. External challenges continue to evolve as the State of Ohio determines the amount of funding they will allocate to education through each of their biennium budgets. In the biennium budget adopted by the State of Ohio in July 2009, the District will see a decrease in funding from the State of Ohio.

In conclusion, Perkins Local School District has committed itself to providing the best available financial information. In addition, the District's systems of budgeting and internal controls are well regarded. This commitment and attention to control mechanisms will serve to meet the challenges of the future.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Lisa Crescimano, Treasurer, Perkins Local School District, 1210 East Bogart Road, Sandusky, Ohio 44870.

**BASIC
FINANCIAL STATEMENTS**

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 7,245,948
Cash with fiscal agent.	1,770
Cash with escrow agent.	77,196
Receivables:	
Taxes.	13,578,421
Accounts.	9,744
Intergovernmental	94,277
Prepayments	32,915
Materials and supplies inventory.	89,283
Capital assets:	
Land	647,925
Construction in progress	1,919,772
Depreciable capital assets, net	7,524,060
Total capital assets, net	10,091,757
 Total assets	 31,221,311
Liabilities:	
Accounts payable.	99,560
Contracts payable.	62,771
Retainage payable.	23,997
Accrued wages and benefits	2,206,446
Pension obligation payable.	509,150
Intergovernmental payable	81,983
Unearned revenue	10,021,629
Accrued interest payable	62,340
Matured bonds payable	1,770
Long-term liabilities:	
Due within one year.	940,261
Due in more than one year	3,713,276
 Total liabilities	 17,723,183
Net Assets:	
Invested in capital assets, net of related debt.	6,525,849
Restricted for:	
Debt service	4,260
Capital projects	373,681
Locally funded programs	3,971
State funded programs.	107,678
Federally funded programs	5,352
Student activities	265,015
Other purposes	317,701
Unrestricted.	5,894,621
 Total net assets	 \$ 13,498,128

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 10,698,634	\$ 1,378,093	\$ 325,230	\$ -	\$ (8,995,311)
Special	2,835,625	131,106	565,961	1,828	(2,136,730)
Vocational	154,784	-	966	-	(153,818)
Other	408,419	-	-	-	(408,419)
Support services:					
Pupil	1,657,484	77	174,898	5,679	(1,476,830)
Instructional staff	1,128,098	120	7,066	13,734	(1,107,178)
Board of education	23,256	-	-	60	(23,196)
Administration	1,460,435	21,740	35,469	10	(1,403,216)
Fiscal	581,201	-	-	721	(580,480)
Business	12,014	-	-	-	(12,014)
Operations and maintenance	2,105,584	22,481	-	973	(2,082,130)
Pupil transportation	901,425	11,393	55,455	19,513	(815,064)
Central	71,113	4,327	26,163	-	(40,623)
Operation of non-instructional services:					
Food service operations	929,462	667,371	287,866	-	25,775
Other non-instructional services	50,304	13,167	43,105	423	6,391
Extracurricular activities	718,799	224,710	16,750	12	(477,327)
Interest and fiscal charges	124,169	-	-	-	(124,169)
Total governmental activities	\$ 23,860,806	\$ 2,474,585	\$ 1,538,929	\$ 42,953	(19,804,339)

General Revenues:

Property taxes levied for:	
General purposes	13,479,522
Capital projects	697,821
Grants and entitlements not restricted to specific programs	7,399,938
Investment earnings	130,044
Miscellaneous	64,574
Total general revenues	21,771,899
Change in net assets	1,967,560
Net assets at beginning of year	11,530,568
Net assets at end of year	\$ 13,498,128

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 6,104,387	\$ 232,898	\$ 908,663	\$ 7,245,948
Cash with fiscal agent.	-	-	1,770	1,770
Cash with escrow agent.	-	77,196	-	77,196
Receivables:				
Taxes.	12,895,419	683,002	-	13,578,421
Accounts	9,744	-	-	9,744
Intergovernmental.	5,916	-	88,361	94,277
Interfund loans	25,712	-	-	25,712
Prepayments	32,915	-	-	32,915
Materials and supplies inventory.	65,125	-	24,158	89,283
Total assets	<u>\$ 19,139,218</u>	<u>\$ 993,096</u>	<u>\$ 1,022,952</u>	<u>\$ 21,155,266</u>
Liabilities:				
Accounts payable	\$ 69,225	\$ 9,371	\$ 20,964	\$ 99,560
Contracts payable.	-	62,771	-	62,771
Retainage payable.	-	23,997	-	23,997
Accrued wages and benefits	2,081,793	-	124,653	2,206,446
Compensated absences payable.	161,750	-	-	161,750
Pension obligation payable	451,268	-	57,882	509,150
Intergovernmental payable	78,381	-	3,602	81,983
Interfund loans payable	-	-	25,712	25,712
Matured bonds payable.	-	-	1,770	1,770
Deferred revenue	1,765,763	68,713	14,241	1,848,717
Unearned revenue	9,498,353	523,276	-	10,021,629
Total liabilities	<u>14,106,533</u>	<u>688,128</u>	<u>248,824</u>	<u>15,043,485</u>
Fund Balances:				
Reserved for encumbrances.	296,026	149,414	28,451	473,891
Reserved for materials and supplies inventory	65,125	-	24,158	89,283
Reserved for property tax unavailable for appropriation.	1,631,303	91,013	-	1,722,316
Reserved for prepayments.	32,915	-	-	32,915
Reserved for debt service	-	-	4,260	4,260
Unreserved, undesignated, reported in:				
General fund.	3,007,316	-	-	3,007,316
Special revenue funds	-	-	717,259	717,259
Capital projects funds	-	64,541	-	64,541
Total fund balances.	<u>5,032,685</u>	<u>304,968</u>	<u>774,128</u>	<u>6,111,781</u>
Total liabilities and fund balances	<u>\$ 19,139,218</u>	<u>\$ 993,096</u>	<u>\$ 1,022,952</u>	<u>\$ 21,155,266</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2009

Total governmental fund balances		\$ 6,111,781
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		10,091,757
Other long-term assets, including taxes receivable and intergovernmental receivables are available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes receivable	\$ 1,834,476	
Intergovernmental receivable	14,241	1,848,717
Total		
In the statement of activities interest is accrued on outstanding notes and leases, whereas in governmental funds, interest expenditures are reported when due.		(62,340)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Land purchase note	(60,000)	
Capital lease payable- HB264 project	(1,773,333)	
Capital lease payable- Apple Equipment	(1,732,575)	
Compensated absences payable	(925,879)	
Total		(4,491,787)
Net assets of governmental activities		\$ 13,498,128

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 12,702,056	\$ 669,847	\$ -	\$ 13,371,903
Tuition	1,405,000	-	-	1,405,000
Transportation fees.	11,393	-	-	11,393
Earnings on investments	125,160	4,884	3,985	134,029
Charges for services	-	-	667,371	667,371
Extracurricular	36,760	-	209,767	246,527
Classroom materials and fees.	102,972	-	-	102,972
Other local revenues	88,282	23,560	162,400	274,242
Intergovernmental - state	7,432,871	146,265	286,285	7,865,421
Intergovernmental - federal.	-	-	929,827	929,827
Total revenues	<u>21,904,494</u>	<u>844,556</u>	<u>2,259,635</u>	<u>25,008,685</u>
Expenditures:				
Current:				
Instruction:				
Regular	10,287,763	-	313,381	10,601,144
Special.	2,379,386	32,465	474,121	2,885,972
Vocational.	143,759	-	-	143,759
Other	408,419	-	-	408,419
Support services:				
Pupil.	1,385,858	100,882	210,093	1,696,833
Instructional staff	1,068,174	243,960	7,895	1,320,029
Board of education	23,185	1,070	-	24,255
Administration.	1,429,872	186	108,107	1,538,165
Fiscal	563,582	12,809	-	576,391
Business	15,795	-	-	15,795
Operations and maintenance.	1,969,026	17,276	-	1,986,302
Pupil transportation	888,209	-	-	888,209
Central.	45,280	-	25,833	71,113
Operation of non-instructional services:				
Food service operations	-	-	925,582	925,582
Other non-instructional services	1,345	7,516	42,100	50,961
Extracurricular activities.	494,467	211	196,590	691,268
Facilities acquisition and construction	-	1,568,407	-	1,568,407
Capital outlay	-	2,374,148	-	2,374,148
Debt service:				
Principal retirement	-	641,573	186,667	828,240
Interest and fiscal charges	-	-	78,328	78,328
Total expenditures	<u>21,104,120</u>	<u>5,000,503</u>	<u>2,568,697</u>	<u>28,673,320</u>
Excess of revenues over (under) expenditures.	800,374	(4,155,947)	(309,062)	(3,664,635)
Other financing sources (uses):				
Transfers in	-	-	388,572	388,572
Transfers (out)	(119,317)	(269,255)	-	(388,572)
Capital lease transaction	-	2,374,148	-	2,374,148
Total other financing sources (uses)	<u>(119,317)</u>	<u>2,104,893</u>	<u>388,572</u>	<u>2,374,148</u>
Net change in fund balances	681,057	(2,051,054)	79,510	(1,290,487)
Fund balance at beginning of year.	4,357,353	2,356,022	702,259	7,415,634
Decrease in reserve for inventory.	(5,725)	-	(7,641)	(13,366)
Fund balances at end of year.	<u>\$ 5,032,685</u>	<u>\$ 304,968</u>	<u>\$ 774,128</u>	<u>\$ 6,111,781</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Net change in fund balances - total governmental funds \$ (1,290,487)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. Capital outlays exceed depreciation expense in the current period.

Capital asset additions	\$	4,468,665	
Current year depreciation		(616,768)	
Total			3,851,897

The net effect of various miscellaneous transactions involving capital assets is to decrease net assets.

Sale of capital assets		155,117	
Accumulated depreciation on disposal of capital assets		(141,249)	
Total			(13,868)

Governmental funds report expenditures for inventory when purchased, however, in the statement of activities they are reported as an expense when consumed.

(13,366)

In the statement of activities, interest is accrued on outstanding notes and leases, whereas in governmental funds, an interest expenditure is reported when due.

(45,841)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Tax revenue		805,440	
Intergovernmental revenue		14,241	
Total			819,681

Principal payments on notes and capital lease obligations are expenditures in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.

828,240

Proceeds of capital lease obligations are recorded as an other financing source in the funds, however, on the statement of activities they are not reported as revenues as they increase liabilities on the statement of net assets.

(2,374,148)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

205,452

Change in net assets of governmental activities \$ 1,967,560

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 11,699,873	\$ 12,346,629	\$ 12,346,629	\$ -
Tuition.	1,115,704	1,177,379	1,405,000	227,621
Transportation fees	8,530	9,002	9,506	504
Earnings on investments.	119,602	126,213	125,160	(1,053)
Extracurricular.	36,327	38,335	38,095	(240)
Classroom materials and fees	90,152	95,136	103,026	7,890
Other local revenues	55,282	58,338	66,105	7,767
Intergovernmental - state	7,076,714	7,467,908	7,432,871	(35,037)
Total revenues	<u>20,202,184</u>	<u>21,318,940</u>	<u>21,526,392</u>	<u>207,452</u>
Expenditures:				
Current:				
Instruction:				
Regular	9,763,146	10,317,486	10,262,998	54,488
Special.	2,230,156	2,356,782	2,310,793	45,989
Vocational.	151,931	160,557	155,588	4,969
Other.	387,247	409,234	409,116	118
Support services:				
Pupil.	1,377,441	1,455,651	1,394,718	60,933
Instructional staff	1,219,782	1,289,040	1,086,141	202,899
Board of education	25,795	27,260	23,237	4,023
Administration.	1,421,856	1,502,587	1,424,183	78,404
Fiscal	604,570	638,897	565,647	73,250
Business	25,566	27,018	20,590	6,428
Operations and maintenance.	1,983,212	2,095,817	2,032,122	63,695
Pupil transportation	960,454	1,014,987	904,518	110,469
Central.	78,966	83,450	55,386	28,064
Extracurricular activities.	482,208	509,587	488,884	20,703
Facilities acquisition and construction.	874	924	-	924
Total expenditures	<u>20,713,204</u>	<u>21,889,277</u>	<u>21,133,921</u>	<u>755,356</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(511,020)</u>	<u>(570,337)</u>	<u>392,471</u>	<u>962,808</u>
Other financing sources (uses):				
Refund of prior year expenditure	30,426	30,426	34,232	3,806
Transfers (out)	(167,245)	(167,245)	(119,317)	47,928
Advances in.	176,674	176,674	176,675	1
Advances (out)	(175,712)	(175,712)	(175,712)	-
Sale of capital assets	19,927	19,927	19,952	25
Total other financing sources (uses).	<u>(115,930)</u>	<u>(115,930)</u>	<u>(64,170)</u>	<u>51,760</u>
Net change in fund balance	(626,950)	(686,267)	328,301	1,014,568
Fund balance at beginning of year	4,987,552	4,987,552	4,987,552	-
Prior year encumbrances appropriated	461,051	461,051	461,051	-
Fund balance at end of year	<u>\$ 4,821,653</u>	<u>\$ 4,762,336</u>	<u>\$ 5,776,904</u>	<u>\$ 1,014,568</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 117,956	\$ 26,331
Receivables:		
Taxes	-	656,094
Total assets	117,956	\$ 682,425
Liabilities:		
Intergovernmental payable	-	\$ 656,119
Due to students	-	26,306
Total liabilities	-	\$ 682,425
Net Assets:		
Held in trust for scholarships	117,956	
Total net assets	\$ 117,956	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 1,453
Gifts and contributions.	7,475
	8,928
Total additions.	8,928
Deductions:	
Scholarships awarded	7,500
	1,428
Change in net assets	1,428
Net assets at beginning of year	116,528
Net assets at end of year	\$ 117,956

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Perkins Local School District (the “District”) operates under a locally-elected five-member Board form of government and provides educational services mandated by State and/or federal agencies. 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 217th largest in the State of Ohio (among 922 public and community school districts) in terms of enrollment and the 3rd largest in Erie County. It currently operates 2 elementary schools, 1 middle school and 1 comprehensive high school. The District employs 118 non-certified employees and 145 certified (including administrative) employees to provide services to approximately 2,232 students and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units”. The reporting entity is composed of the primary government and component units. 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.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) 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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

The following organizations are described due to their relationship to the District:

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 7 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). During the fiscal, year the District paid \$222,196 to the BACG. Members of the Board serve staggered two-year terms. Financial information can be obtained by contacting the Erie-Huron-Ottawa ESC, which serves as fiscal agent, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

Northern Ohio Educational Computer Association

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization, which is a computer consortium. NOECA is an association of 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. During the fiscal year, the District paid NOECA \$69,014 for services. Financial information can be obtained from Betty Schwiefert, who serves as Controller, 2900 South Columbus Avenue, Sandusky, Ohio 44870.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

PUBLIC ENTITY RISK POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as a group 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 OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Huron-Erie School Employees Insurance Association

The Huron-Erie School Employees Insurance Association (Association) is a public entity risk pool comprised of 14 districts. The Association assembly consists of a superintendent or designated representative from each participating district and the program administrator. The Association is governed by a Board of Directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the Board. Financial information can be obtained by contacting the program administrator at the Huron-Erie School Employees Insurance Association, located at 2900 Columbus Avenue, Sandusky, Ohio 44870.

RELATED ORGANIZATION

Sandusky Public Library - The Library is a private not for profit organization 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 on behalf of the Library. The District reports these monies in an agency fund.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

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

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Permanent improvement fund - The permanent improvement fund is used to account for taxes levied for the replacement and updating of equipment and facilities essential for the instruction of students, and to account for financing associated with improvements.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds; (b) for food service operations; (c) for the accumulation of resources for, and the repayment of, long-term debt principal, interest and related costs; and (d) for grants and other resources whose use is restricted to a particular purpose.

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. The District has no proprietary funds.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities and the fiscal agent activity of the Sandusky Public Library.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that 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 an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2009 are recorded as deferred revenue on the governmental fund financial statements.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

E. 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 appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The level of budgetary control is at the fund level for all funds. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Budgetary statements are presented beyond that legal level of control for informational purposes only. Any budgetary modifications at these levels may only be made by resolution of the Board of Education.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with Erie County Budget Commission for rate determination.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Estimated Resources:

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

Appropriations:

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

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, all supplemental appropriations were legally enacted.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budget amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

Encumbrances:

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 appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 14 provides a reconciliation of the budgetary and GAAP basis of accounting.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all 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 basic financial statements.

During fiscal year 2009, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal year 2009. 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 shares price which is the price the investment could be sold for on June 30, 2009.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2009 amounted to \$125,160, which includes \$21,156 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

G. Inventory

On government-wide financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the purchase method on the fund statements and using the consumption method on the government wide financial statements.

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Capital Assets

General capital assets are those assets specifically related to governmental activities. These assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District has a capitalization threshold of \$500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Land improvements	5 - 20 years
Buildings and improvements	5 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 10 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivables/payables." These amounts are eliminated in the governmental activities column on the statement of net assets.

J. 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.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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. An accrual for sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave 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; and,
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.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term notes and capital leases are recognized as a liability on the fund financial statements when due.

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, debt service and property taxes unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes includes amounts restricted for the food service fund (a nonmajor governmental fund) and the special trust fund (a nonmajor governmental fund).

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year 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 on the fund financial statements.

O. Estimates

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

P. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2009.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2009, the District has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the District.

GASB Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the District.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the District.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2009, included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
IDEA	\$ 655
ARRA federal stimulus	480
Title I	15,454

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from an adjustment for accrued liabilities.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above 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 banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

A. Cash on Hand

At fiscal year end, the District had \$600 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

B. Cash with Fiscal Agent

At fiscal year end, \$1,770 was on deposit in the District's debt service clearance account and included in the total amount of deposits reported below; however this amount is not part of the internal cash pool reported on the balance sheet and statement of net assets and is reported as "cash with fiscal agent".

C. Cash with Escrow Agent

At fiscal year end, \$77,196 was on deposit in an escrow account with Citizens Bank related to the capital lease obligation entered into by the District during fiscal year 2008 (see Note 9.C.). The amount on deposit with the escrow agent has been excluded from the total amount of deposits reported below as it is not part of the District's internal investment pool. The June 30, 2009 balance of the escrow account is reported on the financial statements as "cash with escrow agent".

D. Deposits with Financial Institutions

At June 30, 2009, the carrying amount of all District deposits was \$1,853,317. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$1,732,229 of the District's bank balance of \$2,489,727 was exposed to custodial risk as discussed below, while \$757,498 was covered by the FDIC.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

E. Investments

As of June 30, 2009, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
STAR Ohio	<u>\$ 5,536,318</u>	<u>\$ 5,536,318</u>

Interest Rate Risk: The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The District's investment policy addresses interest rate risk by requiring the consideration of market conditions and cash flow requirements in determining the term of an investment.

Credit Risk: STAR Ohio was rated AAAm and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Concentration of Credit Risk: The District's investment policy addresses concentration of credit risk by encouraging diversification to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issue or a specific class of securities. The following table includes the percentage of each investment type held by the District at June 30, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	<u>\$ 5,536,318</u>	<u>100.00</u>

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

F. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2009:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,853,317
Investments	5,536,318
Cash with escrow agent	77,196
Cash with fiscal agent	1,770
Cash on hand	<u>600</u>
Total	<u>\$ 7,469,201</u>
<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 7,324,914
Private-purpose trust funds	117,956
Agency funds	<u>26,331</u>
Total	<u>\$ 7,469,201</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund balances at June 30, 2009 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 25,712

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2009 are reported on the statement of net assets.

- B.** Interfund transfers for the year ended June 30, 2009, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
Transfers to nonmajor governmental funds from:	
General fund	\$ 119,317
Transfers to nonmajor governmental funds from:	
Permanent improvement fund	<u>269,255</u>
Total	<u>\$ 388,572</u>

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

The transfer from the permanent improvement fund to the debt service fund (a nonmajor governmental fund) is to fund the principal and interest payments on the House Bill 264 obligation and promissory note.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (3) move receipts restrict to debt service from the funds collecting the receipts to the debt service fund (a nonmajor governmental fund) as debt service payments become due.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 6 - PROPERTY TAXES - (Continued)

The District receives property taxes from Erie County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available as an advance at June 30, 2009 was \$1,631,303 in the general fund and \$91,013 in the permanent improvement fund. These amounts are recorded as revenue. The amount available for advance at June 30, 2008 was \$1,275,876 in the general fund and \$72,323 in the permanent improvement fund. The amount of second-half real property taxes available for advance at fiscal year end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2009 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been deferred.

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second Half Collections		2009 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 423,257,350	93.76	\$ 437,323,890	97.28
Public utility personal	13,171,390	2.92	11,078,560	2.46
Tangible personal property	<u>14,974,770</u>	<u>3.32</u>	<u>1,128,820</u>	<u>0.26</u>
Total	<u>\$ 451,403,510</u>	<u>100.00</u>	<u>\$ 449,531,270</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$65.65		\$66.35	

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 7 - RECEIVABLES

Receivables at June 30, 2009 consisted of taxes, accounts (billings for user charged services 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 reported on the statement of net assets follows:

Governmental activities:

Taxes	\$ 13,578,421
Accounts	9,744
Intergovernmental	<u>94,277</u>
Total	<u>\$ 13,682,442</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

NOTE 8 - CAPITAL ASSETS

	Balance <u>July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2009</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 647,925	\$ -	\$ -	\$ 647,925
Construction in progress	<u>760,058</u>	<u>1,159,714</u>	<u>-</u>	<u>1,919,772</u>
Total capital assets, not being depreciated	<u>1,407,983</u>	<u>1,159,714</u>	<u>-</u>	<u>2,567,697</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,161,991	227,231	-	1,389,222
Building and improvements	12,893,705	96,164	-	12,989,869
Furniture and equipment	3,465,961	2,979,656	(148,217)	6,297,400
Vehicles	<u>1,756,717</u>	<u>5,900</u>	<u>(6,900)</u>	<u>1,755,717</u>
Total capital assets, being depreciated	<u>19,278,374</u>	<u>3,308,951</u>	<u>(155,117)</u>	<u>22,432,208</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(690,253)	(49,473)	-	(739,726)
Building and improvements	(9,762,888)	(215,785)	-	(9,978,673)
Furniture and equipment	(2,682,017)	(289,020)	135,039	(2,835,998)
Vehicles	<u>(1,297,471)</u>	<u>(62,490)</u>	<u>6,210</u>	<u>(1,353,751)</u>
Total accumulated depreciation	<u>(14,432,629)</u>	<u>(616,768)</u>	<u>141,249</u>	<u>(14,908,148)</u>
Depreciable capital assets, net	<u>4,845,745</u>	<u>2,692,183</u>	<u>(13,868)</u>	<u>7,524,060</u>
Governmental activities capital assets, net	<u>\$ 6,253,728</u>	<u>\$ 3,851,897</u>	<u>\$ (13,868)</u>	<u>\$ 10,091,757</u>

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 233,846
Special	11,627
Vocational	10,906
<u>Support services:</u>	
Pupil	80,825
Instructional staff	65,285
Board of education	71
Administration	28,953
Fiscal	1,161
Operations and maintenance	74,909
Pupil transportation	57,432
Extracurricular activities	26,355
Food service operations	<u>25,398</u>
Total depreciation expense	<u>\$ 616,768</u>

NOTE 9 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2009, the following changes occurred in governmental activities long-term obligations.

	Balance Outstanding <u>06/30/08</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/09</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
Capital lease obligation-Apple equipment	\$ -	\$ 2,374,148	\$ (641,573)	\$ 1,732,575	\$ 547,178
Land purchase note	120,000	-	(60,000)	60,000	60,000
Capital lease obligation-HB264 project	1,900,000	-	(126,667)	1,773,333	126,667
Compensated absences	<u>1,155,683</u>	<u>63,860</u>	<u>(131,914)</u>	<u>1,087,629</u>	<u>206,416</u>
Total governmental activities	<u>\$ 3,175,683</u>	<u>\$ 2,438,008</u>	<u>\$ (960,154)</u>	<u>\$ 4,653,537</u>	<u>\$ 940,261</u>

Compensated Absences: Compensated absences will be paid from the fund from which the employee's salaries are paid, which for the District is primarily the general fund, the food service fund (a nonmajor governmental fund) and the classroom reduction fund (a nonmajor governmental fund).

B. Land Purchase Note: On May 3, 2006, the District issued notes to provide for the purchase of land within the District. Payments of principal and interest relating to these liabilities are recorded as expenditures in the debt service fund. These notes bore a variable interest rate and mature on May 3, 2010.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire the notes outstanding at June 30, 2009, are as follows:

Fiscal Year Ending June 30,	Land Purchase Note		
	Principal	Interest	Total
2010	\$ 60,000	\$ 3,102	\$ 63,102
Total	\$ 60,000	\$ 3,102	\$ 63,102

- C. *Capital Lease Obligation - HB264 Project:* During fiscal year 2008, the District entered into a capital lease agreement to provide for energy improvements to various District buildings. This lease meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term.

Capital lease payments are reflected as debt service expenditures in the debt service fund (a nonmajor governmental fund). Principal and interest payments in the 2009 fiscal year totaled \$126,667 and \$76,228, respectively.

Citizens Bank has been designated as trustee for the agreement.

The following is a schedule of the future long-term minimum lease payments required under the capital lease obligation and the present value of the minimum lease payments as of June 30, 2009.

Fiscal Year Ending <u>June 30,</u>	<u>Total</u>
2010	\$ 197,727
2011	192,559
2012	187,391
2013	182,223
2014	177,055
2015 - 2019	807,755
2020 - 2023	553,175
Total minimum lease payments	2,297,885
Less: amount representing interest	(524,552)
Present value of minimum lease payments	\$ 1,773,333

- D. *Capital Lease Obligation - Apple Equipment:* During fiscal year 2009, the District entered into capitalized leases for computers and equipment. All leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases" which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis. Capital assets acquired by lease have been originally capitalized in the amount of \$2,374,148, which represents the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2009 was \$71,856, leaving a current book value of \$2,302,292.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

Principal payments in the 2009 fiscal year totaled \$641,573. This amount is reported as debt service payment of the permanent improvement fund.

The following is a schedule of future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2009:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2010	\$ 641,574
2011	641,572
2012	<u>641,572</u>
Total minimum lease payments	1,924,718
Less: amount representing interest	<u>(192,143)</u>
Present value of minimum lease payments	<u>\$ 1,732,575</u>

E. 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 additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2009, are a voted debt margin of \$40,329,094, an unvoted debt margin of \$448,054, and a debt limitation of \$4,032,483 for energy conservation.

NOTE 10 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn one to five weeks of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Upon retirement, payment is made for forty percent of the total sick leave accumulation, up to a maximum accumulation of forty-eight days for classified employees who receive an additional twelve days if they notify the District by February 1. Certified employees receive thirty percent, up to a maximum of forty-six days, and will receive an additional four days if the District is notified of the intent to retire by March 1. An employee receiving such payment must meet the retirement provisions set by STRS Ohio and SERS.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 10 - OTHER EMPLOYEE BENEFITS

B. Insurance Benefits

The District provides life insurance and accidental death and dismemberment insurance in the amount of \$10,000 to certified employees. For classified employees, group term life insurance is provided in the amount of \$10,000.

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2009, the District has contracted with various insurance carriers to provide insurance coverage in the following amounts:

<u>Limits of Coverage</u>	<u>Carrier</u>	<u>Coverage</u>	<u>Deductible</u>
General liability:			
Each occurrence	Ohio School Plan	\$ 5,000,000	\$ -
Aggregate		7,000,000	-
Fleet:			
Collision/Comprehensive	Ohio School Plan	5,000,000	Buses 1,000 All Other 500
Umbrella liability	Ohio School Plan	5,000,000	-
Building and contents	Ohio School Plan	63,628,787	1,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from the prior year.

B. Huron-Erie School Employees Insurance Association

The District has contracted with the Huron-Erie School Employees Insurance Association (Association) to provide medical/surgical, dental, vision and life insurance benefits for its employees and their covered dependents. The Association is a shared risk pool comprised of 14 school districts that provide public education within Erie and Huron Counties. The Districts pay monthly contributions that are placed in a common fund from which eligible claims and expenses are paid for employees of participating school districts and their covered dependents. Claims are paid for all participants regardless of claims flow.

In the event of withdrawal, the District shall assume and be responsible for payment of all claims of its eligible employees, families, and dependents from the effective date of withdrawal, regardless of when such claims were incurred, processed, or presented to the Association, insurance provider, insurance consultant, or any other appropriate or authorized person or representative; provided further, any such claims, which are paid after the effective date of withdrawal by the Association insurance provider or insurance consultant, or charged to such parties, shall be reimbursed in full by any withdrawing member upon demand of the Association.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 11 - RISK MANAGEMENT - (Continued)

C. OSBA Workers' Compensation Group Rating Plan

For fiscal year 2009, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). 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.

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.

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Forms and Publications*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$255,187, \$258,626 and \$271,743, respectively; 47.97 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 12 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2009, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008 and 2007 were \$1,291,448, \$1,214,277 and \$1,154,915, respectively; 82.09 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$4,237 made by the District and \$26,878 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2009, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, the actuarially determined amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2009, 2008, and 2007 were \$172,961, \$172,784 and \$142,112, respectively; 47.97 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$21,055, \$18,635 and \$18,479, respectively; 47.97 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$99,342, \$93,406 and \$88,840, respectively; 82.09 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

NOTE 14 - 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 statement of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund 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 and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses 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, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Advances-in advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance	<u>General fund</u>
Budget basis	\$ 328,301
Net adjustment for revenue accruals	378,102
Net adjustment for expenditure accruals	(297,682)
Net adjustment for other sources/uses	(55,147)
Adjustment for encumbrances	<u>327,483</u>
GAAP basis	<u>\$ 681,057</u>

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 15 - CONTINGENCIES

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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

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

NOTE 16 - STATUTORY RESERVES

The District is required by State statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward to be used for the same purposes in future years. During the fiscal year ended June 30, 2009, the reserve activity was as follows:

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>
Set-aside balance as of June 30, 2008	\$ (932,537)	\$ -
Current year set-aside requirement	345,141	345,141
Current year offsets	-	(651,157)
Qualifying disbursements	<u>(414,573)</u>	<u>(5,230)</u>
Total	<u>\$ (1,001,969)</u>	<u>\$ (311,246)</u>
Balance carried forward to fiscal year 2010	<u>\$ (1,001,969)</u>	<u>\$ -</u>

The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero for the textbooks/instructional materials reserve.

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

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 17 - DONOR RESTRICTED ENDOWMENTS

The District's private-purpose trust funds consist of donor restricted endowments and realized and unrealized appreciation on investments. Endowments, in the amount of \$108,268, represent the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the District is \$9,688 and is reflected as held in trust for scholarships. State law permits the District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide scholarships each year.

SUPPLEMENTARY DATA

**PERKINS LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
(E) National School Lunch Program	10.555	2009	\$ 216,772	\$ 216,772
(C) National School Lunch Program - Food Donation	10.555	2009	48,525	48,525
Total National School Lunch Program			<u>265,297</u>	<u>265,297</u>
Total U.S. Department of Agriculture			<u>265,297</u>	<u>265,297</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
(F) Title I Grants to Local Educational Agencies	84.010	2008	14,339	5,140
(F) Title I Grants to Local Educational Agencies	84.010	2009	130,903	143,084
Total Title I Grants to Local Educational Agencies			<u>145,242</u>	<u>148,224</u>
Special Education Cluster:				
(D) Special Education_Grants to States	84.027	2009	401,960	401,960
Total Special Education_Grants to States			<u>401,960</u>	<u>401,960</u>
(D) Special Education_Preschool Grants	84.173	2009	11,181	11,181
Total Special Education_Preschool Grants			<u>11,181</u>	<u>11,181</u>
Total Special Education Cluster			<u>413,141</u>	<u>413,141</u>
Safe and Drug-Free Schools and Communities_State Grants	84.186	2008	719	2,282
Safe and Drug-Free Schools and Communities_State Grants	84.186	2009	3,975	4,585
Total Safe and Drug-Free Schools and Communities_State Grants			<u>4,694</u>	<u>6,867</u>
(F) State Grants for Innovative Programs	84.298	2008	(389)	-
(F) State Grants for Innovative Programs	84.298	2009	571	1,913
Total State Grants for Innovative Programs			<u>182</u>	<u>1,913</u>
Education Technology State Grants	84.318	2009	1,552	1,552
Total Education Technology State Grants			<u>1,552</u>	<u>1,552</u>
(F) Improving Teacher Quality State Grants	84.367	2008	5,370	2,379
(F) Improving Teacher Quality State Grants	84.367	2009	78,894	71,318
Total Improving Teach Quality State Grants			<u>84,264</u>	<u>73,697</u>
Total U.S. Department of Education			<u>649,075</u>	<u>645,394</u>
Total Federal Financial Assistance			<u>\$ 914,372</u>	<u>\$ 910,691</u>

- (A) OAKS did not assign pass-through numbers for fiscal year 2009.
 (B) This schedule was prepared on the cash basis of accounting.
 (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
 (D) Included as part of "Special Education Cluster" in determining major programs.
 (E) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
 (F) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2009, the ODE authorized the following transfers:

Program Title	CFDA	Grant Year	Transfers Out	Transfers In
Title I Grants to Local Educational Agencies	84.010	2008	\$ 7,309	
Title I Grants to Local Educational Agencies	84.010	2009		\$ 7,309
State Grants for Innovative Programs	84.298	2008	389	
State Grants for Innovative Programs	84.298	2009		389
Improving Teacher Quality State Grants	84.367	2008	452	
Improving Teacher Quality State Grants	84.367	2009		452
Totals			<u>\$ 8,150</u>	<u>\$ 8,150</u>



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**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Accounting Standards***

Board of Education
Perkins Local School District
1210 East Bogart Road
Sandusky, Ohio 44870

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Perkins Local School District, Erie County, Ohio as of and for the fiscal year ended June 30, 2009, which collectively comprise Perkins Local School District's basic financial statements and have issued our report thereon dated December 7, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Perkins Local School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Perkins Local School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Perkins Local School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Perkins Local School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Perkins Local School District's financial statements that is more than inconsequential will not be prevented or detected by the Perkins Local School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Perkins Local School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Education
Perkins Local School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Perkins Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a period at the end.

Julian & Grube, Inc.
December 7, 2009



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**Report on Compliance With Requirements Applicable to Its
Major Program and on Internal Control Over Compliance
in Accordance With OMB Circular A-133**

Board of Education
Perkins Local School District
1210 East Bogart Road
Sandusky, Ohio 44870

Compliance

We have audited the compliance of Perkins Local School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2009. Perkins Local School 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 Perkins Local School District's management. Our responsibility is to express an opinion on Perkins Local School 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Perkins Local School 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 Perkins Local School District's compliance with those requirements.

In our opinion, Perkins Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2009.

Internal Control Over Compliance

The management of Perkins Local School 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 Perkins Local School District's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Perkins Local School District's internal control over compliance.

Board of Education
Perkins Local School District

A control deficiency in Perkins Local School District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Perkins Local School District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by Perkins Local School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Perkins Local School District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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



Julian & Grube, Inc.
December 7, 2009

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2009**

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

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2008- 001	Ohio Revised Code Section 5705.41(D)(1) prohibits a subdivision or taxing authority from making any or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto.	Yes	N/A
2008- 002	Ohio Revised Code Sections 3312.21, 5705.10(D), 5705.39, 5705.36(A)(3), 5705.40 and 5705.41(B) - Noncompliance due to an unrecorded lease transaction in District's accounting system.	Yes	N/A
2008- 003	Significant Deficiency - Financial Reporting. Material adjustments representing taxes receivable, capital lease proceeds, interest revenue and disbursements.	Yes	N/A



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Independent Accountant's Report on Applying Agreed-Upon Procedures

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

To the Board of Education:

Ohio Revised Code Section 117.53 states “the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school”.

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Perkins Local School District has adopted an anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on September 10, 2008.
2. We read the policy, noting it included the following requirements from Ohio Revised Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Revised Code Section 3313.666;

- (3) A procedure for reporting prohibited incidents;
- (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Education of Perkins Local School District and is not intended to be and should not be used by anyone other than this specified party.



Julian & Grube, Inc.
December 7, 2009



Mary Taylor, CPA
Auditor of State

PERKINS LOCAL SCHOOL DISTRICT

ERIE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 21, 2010**