



**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2005



**Auditor of State
Betty Montgomery**

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Perkins Local School District, Erie County, Ohio (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Perkins Local School District, Erie County, Ohio, as of June 30, 2005, and the respective changes in financial position, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2005, The District implemented Governmental Accounting Standards Board Technical Bulletin 2004-02, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers*.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is 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. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Betty Montgomery
Auditor of State

April 10, 2006

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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, 2005. 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 2005 are as follows:

- In total, net assets of governmental activities increased \$2,966,760 which represents a 155.93% increase from 2004.
- General revenues accounted for \$19,878,100 in revenue or 89.89% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,236,204 or 10.11% of total revenues of \$22,114,304.
- The District had \$19,147,544 in expenses related to governmental activities; only \$2,236,204 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$19,878,100 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$19,853,386 in revenues and other financing sources and \$17,151,832 in expenditures and other financing uses. During fiscal 2005, the general fund's fund balance increased \$2,695,571 from a deficit of \$949,266 to a balance of \$1,746,305.

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 is by far the most significant fund, and the only governmental fund reported as a major fund.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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 2005?" 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, operation of non-instructional services, extracurricular activities, food service operations and interest and fiscal charges.

Reporting the District's Most Significant Funds

Fund Financial Statements

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 only major governmental fund is the general 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* that 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.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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. 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.

The District as a Whole

The Statement of Net Assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2005 and 2004.

	Net Assets	
	Governmental Activities <u>2005</u>	Governmental Activities <u>2004</u>
<u>Assets</u>		
Current and other assets	\$ 18,403,086	\$ 15,300,826
Capital assets, net	<u>2,134,923</u>	<u>2,521,826</u>
Total assets	<u>20,538,009</u>	<u>17,822,652</u>
<u>Liabilities</u>		
Current liabilities	14,560,619	14,454,248
Long-term liabilities	<u>1,108,042</u>	<u>1,465,816</u>
Total liabilities	<u>15,668,661</u>	<u>15,920,064</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	1,994,923	2,241,826
Restricted	1,159,996	538,491
Unrestricted (deficit)	<u>1,714,429</u>	<u>(877,729)</u>
Total net assets	<u>\$ 4,869,348</u>	<u>\$ 1,902,588</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the District's assets exceeded liabilities by \$4,869,348.

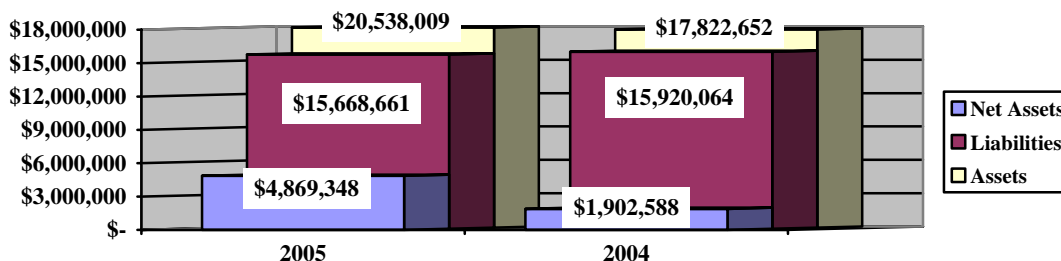
**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

At fiscal year-end, capital assets represented 10.39% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2005, were \$1,994,923. 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, \$1,159,996, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$1,714,429 may be used to meet the District's ongoing obligations to the students and creditors.

Governmental Activities



The table below shows the change in net assets for fiscal years 2005 and 2004.

Change in Net Assets

	Governmental Activities 2005	Governmental Activities 2004
Revenues		
Program revenues:		
Charges for services and sales	\$ 1,155,488	\$ 921,486
Operating grants and contributions	1,060,031	844,336
Capital grants and contributions	20,685	
General revenues:		
Property taxes	14,157,581	11,986,124
Grants and entitlements	5,617,844	5,634,694
Investment earnings	85,548	29,927
Other	17,127	19,938
Total revenues	<u>22,114,304</u>	<u>19,436,505</u>

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

	Change in Net Assets	
	Governmental Activities 2005	Governmental Activities 2004
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 8,350,443	\$ 8,875,529
Special	2,135,782	2,574,485
Vocational	193,551	357,996
Other	251,922	91,218
Support services:		
Pupil	1,366,892	1,347,979
Instructional staff	754,814	1,142,770
Board of education	53,263	45,982
Administration	1,401,652	1,459,003
Fiscal	508,591	554,541
Business	20,533	75,522
Operations and maintenance	1,813,229	1,976,776
Pupil transportation	778,687	823,550
Central	35,756	60,975
Operations of non-instructional services	52,468	22,342
Extracurricular activities	598,289	669,017
Food service operations	821,198	872,602
Interest and fiscal charges	10,474	7,479
Total expenses	<u>19,147,544</u>	<u>20,957,766</u>
Change in net assets	2,966,760	(1,521,261)
Net assets at beginning of year	<u>1,902,588</u>	<u>3,423,849</u>
Net assets at end of year	<u>\$ 4,869,348</u>	<u>\$ 1,902,588</u>

Governmental Activities

Net assets of the District's governmental activities increased \$2,966,760. Total governmental expenses of \$19,147,544 were offset by program revenues of \$2,236,204 and general revenues of \$19,878,100. Program revenues supported 11.68% of the total governmental expenses. Overall, the increase in net assets is due to a decrease in expenses and an increase in revenues. Decreases in expenses are related to decreases in salaries and severance payments for retired employees. The increase in revenues is due to increase charges for services and operating grants, and property taxes.

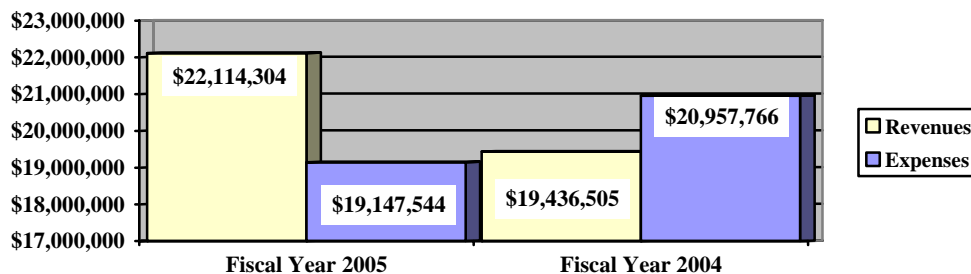
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 89.42% of total governmental revenue.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2005 and 2004.

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

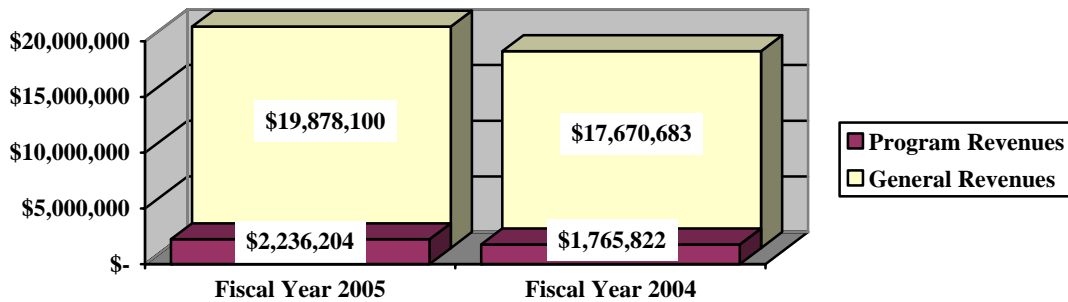
	Total Cost of Services 2005	Net Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2004
Program expenses				
Instruction:				
Regular	\$ 8,350,443	\$ 7,912,693	\$ 8,875,529	\$ 8,698,383
Special	2,135,782	1,555,018	2,574,485	2,240,703
Vocational	193,551	193,551	357,996	357,996
Other	251,922	251,922	91,218	91,218
Support services:				
Pupil	1,366,892	1,295,034	1,347,979	1,264,495
Instructional staff	754,814	738,712	1,142,770	1,118,957
Board of education	53,263	53,263	45,982	45,982
Administration	1,401,652	1,391,820	1,459,003	1,423,287
Fiscal	508,591	508,591	554,541	554,541
Business	20,533	20,533	75,522	75,522
Operations and maintenance	1,813,229	1,810,876	1,976,776	1,955,648
Pupil transportation	778,687	763,062	823,550	814,211
Central	35,756	10,821	60,975	(34,334)
Operations of non-instructional services	52,468	(1,784)	22,342	15,274
Food service operations	821,198	(20,111)	669,017	510,739
Extracurricular activities	598,289	416,865	872,602	51,843
Interest and fiscal charges	10,474	10,474	7,479	7,479
Total expenses	\$ 19,147,544	\$ 16,911,340	\$ 20,957,766	\$ 19,191,944

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

The graph below presents the District's governmental activities revenue for fiscal years 2005 and 2004.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet) reported a combined fund balance of \$3,197,065, which is greater than last year's deficit of \$212,360. The June 30, 2004, fund balances have been restated as described in Note 3.A to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2005 and 2004.

	Fund Balance June 30, 2005	Restated Fund Balance June 30, 2004	Increase (Decrease)
General	\$ 1,746,305	\$ (949,266)	\$ 2,695,571
Other Governmental	1,450,760	736,906	713,854
Total	\$ 3,197,065	\$ (212,360)	\$ 3,409,425

General Fund

The District's general fund balance increased \$2,695,571. This increase is due to a decrease in expenditures and an increase in revenues. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

	2005 <u>Amount</u>	Restated 2004 <u>Amount</u>	Percentage <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 13,863,897	\$ 11,298,073	22.71 %
Tuition	223,337	18,878	1,083.05 %
Earnings on investments	81,015	29,927	170.71 %
Intergovernmental	5,534,854	5,564,349	(0.53) %
Other revenues	<u>149,378</u>	<u>145,823</u>	2.44 %
Total	<u>\$ 19,852,481</u>	<u>\$ 17,057,050</u>	16.39 %
<u>Expenditures</u>			
Instruction	\$ 10,325,827	\$ 11,313,771	(8.73) %
Support services	6,361,430	7,105,756	(10.47) %
Operation of non-instructional services		1,519	(100.00) %
Extracurricular activities	420,069	550,765	(23.73) %
Facilities acquisition and construction	<u>1,506</u>	<u>5,068</u>	(70.28) %
Total	<u>\$ 17,108,832</u>	<u>\$ 18,976,879</u>	(9.84) %

The increase in taxes for the District is due mostly to unanticipated property tax revenues. The increase in tuition is due to an increase in revenues for open enrollment. Expenditures were budgeted more lightly in fiscal year 2005 due to the net asset deficit in fiscal year 2004 resulting in a reduction of expenditures in fiscal year 2005.

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 2005, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources were \$19,203,561, which was greater than the original budgeted revenues estimate of \$17,446,379. The increase is due in part to a conservative original budgeted revenue amount. Actual revenues and other financing sources for fiscal 2005 was \$19,203,561. Total actual revenues are the same as final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$18,440,993 were the same as the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2005 totaled \$17,490,988, which was \$950,005 less than the final budget appropriations. Due to budget constraints the District spent less than planned on Instructional staff support, maintaining facilities, and extracurricular activities.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2005, the District had \$2,134,923 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2005 balances compared to 2004:

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2005	2004
Land	\$ 316,850	\$ 316,850
Land improvements	6,924	7,148
Building and improvements	1,445,383	1,653,215
Furniture and equipment	344,613	439,331
Vehicles	21,153	105,282
Total	\$ 2,134,923	\$ 2,521,826

Total additions to capital assets for 2005 were \$5,536. The overall decrease in capital assets of \$386,903 is primarily due to the recording of \$392,439 in depreciation expense for fiscal 2005.

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

Debt Administration

At June 30, 2005, the District had \$140,000 in energy conservation notes outstanding. All \$140,000 of this total is due within one year. The following table summarizes the notes outstanding.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2005	2004
Energy conservation	\$ 140,000	\$ 280,000
Total	\$ 140,000	\$ 280,000

The energy conservation notes are scheduled to mature in fiscal year 2006 and bear an interest rate of 5.50%. Payment of principal and interest on the tax anticipation note is being made from general fund monies transferred to the debt service fund.

At June 30, 2005, the District's overall legal debt margin was \$36,520,986 with an unvoted debt margin of \$405,702 and energy conservation debt margin of \$3,511,320.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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

Current Financial Related Activity

The District made reductions in staff, both certified and classified, amounting to a savings of approximately \$900,000 in fiscal year ending June 30, 2005. The District received an additional \$1,300,000 in Personal Property taxes which the Auditor had not certified. These cuts along with close monitoring of all expenditures and the additional unanticipated Personal Property revenue gave the District a cash balance in excess of \$2,750,000 on June 30, 2005.

In fiscal year 2006 the District is facing a projected 23% increase in health care costs and a projected loss in revenues in excess of \$400,000 which will reduce the cash balance to approximately \$1,700,000 on June 30, 2006. With projected cost of living increases for fiscal year 2007 the projected cash balance for June 30, 2007 currently show a deficit of \$170,000.

The Board is considering placing a levy on the ballot in calendar year 2006.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's 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 Mr. William Haggerty, Treasurer, Perkins Local School District, 1210 East Bogart Road, Sandusky, Ohio 44870-6400.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 4,339,631
Cash with fiscal agent.	1,770
Receivables:	
Taxes.	13,827,584
Accounts.	1,939
Intergovernmental	101,767
Prepayments	52,970
Materials and supplies inventory.	77,425
Capital assets:	
Land	316,850
Depreciable capital assets, net	1,818,073
Total capital assets, net	2,134,923
Total assets	20,538,009
Liabilities:	
Accounts payable.	25,939
Accrued wages and benefits	2,023,079
Compensated absences.	
Pension obligation payable.	401,588
Intergovernmental payable	66,149
Deferred revenue	12,041,018
Accrued interest payable	1,076
Matured bonds payable	1,770
Long-term liabilities:	
Due within one year.	237,619
Due within more than one year	870,423
Total liabilities	15,668,661
Net Assets:	
Invested in capital assets, net of related debt.	1,994,923
Restricted for:	
Debt service	6,714
Capital projects	799,828
Locally funded programs	470
State funded programs.	44,441
Federally funded programs	79,032
Student activities	229,511
Other purposes	
Unrestricted.	1,714,429
Total net assets	\$ 4,869,348

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Assets</u>
Governmental activities:					Governmental Activities
Instruction:					
Regular	\$ 8,350,443	\$ 339,963	\$ 97,787		\$ (7,912,693)
Special	2,135,782		580,764		(1,555,018)
Vocational	193,551				(193,551)
Other	251,922				(251,922)
Support services:					
Pupil	1,366,892	10,676	40,497	\$ 20,685	(1,295,034)
Instructional staff	754,814		16,102		(738,712)
Board of education.	53,263				(53,263)
Administration.	1,401,652	2,229	7,603		(1,391,820)
Fiscal	508,591				(508,591)
Business.	20,533				(20,533)
Operations and maintenance	1,813,229		2,353		(1,810,876)
Pupil transportation	778,687	15,625			(763,062)
Central	35,756		24,935		(10,821)
Operation of					
non-instructional services	52,468		54,252		1,784
Extracurricular activities	598,289	161,190	20,234		(416,865)
Food service operations	821,198	625,805	215,504		20,111
Interest and fiscal charges	10,474				(10,474)
Total governmental activities	\$ 19,147,544	\$ 1,155,488	\$ 1,060,031	20,685	(16,911,340)

General Revenues:

Property taxes levied for:	
General purposes	13,468,422
Capital projects	689,159
Grants and entitlements not restricted to specific programs.	5,617,844
Investment earnings	85,548
Miscellaneous	17,127
Total general revenues	19,878,100
Change in net assets	2,966,760
Net assets at beginning of year	1,902,588
Net assets at end of year	\$ 4,869,348

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 2,776,677	\$ 1,562,954	\$ 4,339,631
Cash with fiscal agent.		1,770	1,770
Receivables:			
Taxes.	13,154,289	673,295	13,827,584
Accounts	1,939		1,939
Intergovernmental.		101,767	101,767
Interfund loans	138,538		138,538
Prepayments	52,970		52,970
Materials and supplies inventory.	56,863	20,562	77,425
Total assets	<u>\$ 16,181,276</u>	<u>\$ 2,360,348</u>	<u>\$ 18,541,624</u>
Liabilities:			
Accounts payable	\$ 22,855	\$ 3,084	\$ 25,939
Accrued wages and benefits	1,961,799	61,280	2,023,079
Compensated absences payable.	76,639		76,639
Pension obligation payable	377,589	23,999	401,588
Intergovernmental payable	63,642	2,507	66,149
Interfund loan payable		138,538	138,538
Matured bonds payable.		1,770	1,770
Deferred revenue	11,932,447	678,410	12,610,857
Total liabilities	<u>14,434,971</u>	<u>909,588</u>	<u>15,344,559</u>
Fund Balances:			
Reserved for encumbrances.	78,306	93,945	172,251
Reserved for materials and supplies inventory	56,863	20,562	77,425
Reserved for property tax unavailable for appropriation.	1,221,842	72,070	1,293,912
Reserved for prepayments.	52,970		52,970
Unreserved, undesignated, reported in:			
General fund.	336,324		336,324
Special revenue funds		633,723	633,723
Debt service fund		7,790	7,790
Capital projects funds		622,670	622,670
Total fund balances.	<u>1,746,305</u>	<u>1,450,760</u>	<u>3,197,065</u>
Total liabilities and fund balances	<u>\$ 16,181,276</u>	<u>\$ 2,360,348</u>	<u>\$ 18,541,624</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2005

Total governmental fund balances		\$	3,197,065
<i>Amounts reported for governmental activities in 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.			2,134,923
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	492,654	
Intergovernmental revenue		77,185	
Total			569,839
In the statement of activities interest is accrued on outstanding notes, whereas in governmental funds, interest expenditures are reported when due.			(1,076)
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.			
Energy conservation notes		140,000	
Compensated absences		891,403	
Total			(1,031,403)
Net assets of governmental activities		\$	4,869,348

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Taxes	\$ 13,863,897	\$ 704,066	\$ 14,567,963
Tuition	223,337		223,337
Transportation fees	15,625		15,625
Earnings on investments	81,015	4,533	85,548
Charges for services		625,805	625,805
Extracurricular		174,095	174,095
Classroom materials and fees	91,318		91,318
Other local revenues	42,435	88,181	130,616
Intergovernmental - State	5,534,854	172,382	5,707,236
Intergovernmental - Federal		862,602	862,602
Total revenue	<u>19,852,481</u>	<u>2,631,664</u>	<u>22,484,145</u>
Expenditures:			
Current:			
Instruction:			
Regular	8,196,247	68,554	8,264,801
Special	1,667,800	509,060	2,176,860
Vocational	209,858		209,858
Other	251,922		251,922
Support Services:			
Pupil	1,282,543	49,465	1,332,008
Instructional staff	735,062	26,500	761,562
Board of education	51,431		51,431
Administration	1,348,382	48,941	1,397,323
Fiscal	515,474	11,568	527,042
Business	22,697		22,697
Operations and maintenance	1,690,008	2,828	1,692,836
Pupil transportation	704,046		704,046
Central	11,787	23,969	35,756
Food service operations		784,622	784,622
Operation of non-instructional services		50,201	50,201
Extracurricular activities	420,069	139,178	559,247
Facilities acquisition and construction	1,506	89,165	90,671
Debt service:			
Principal retirement		140,000	140,000
Interest and fiscal charges		11,550	11,550
Total expenditures	<u>17,108,832</u>	<u>1,955,601</u>	<u>19,064,433</u>
Excess of revenues over expenditures	<u>2,743,649</u>	<u>676,063</u>	<u>3,419,712</u>
Other financing sources (uses):			
Transfers in		195,749	195,749
Transfers (out)	(43,000)	(152,749)	(195,749)
Sale of capital assets	905		905
Total other financing sources (uses)	<u>(42,095)</u>	<u>43,000</u>	<u>905</u>
Net change in fund balances	2,701,554	719,063	3,420,617
Fund balance (deficit)			
at beginning of year (restated)	(949,266)	736,906	(212,360)
Decrease in reserve for inventory	(5,983)	(5,209)	(11,192)
Fund balances at end of year	<u>\$ 1,746,305</u>	<u>\$ 1,450,760</u>	<u>\$ 3,197,065</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

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, 2005

Net change in fund balances - total governmental funds **\$ 3,420,617**

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 cost of those assets is allocated over their estimated useful lives as depreciation expense. Depreciation expense exceeds capital outlays in the current period accordingly.

Capital asset additions	\$ 5,536	
Current year depreciation	<u>(392,439)</u>	(386,903)

Governmental funds report expenditures for inventory when purchased, however, in the statement of activities they are reported as an expense when consumed. (11,192)

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

Delinquent property taxes	(410,382)	
Intergovernmental	<u>40,541</u>	(369,841)

Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 140,000

In the statement of activities, interest is accrued on outstanding notes, whereas in governmental funds, an interest expenditure is reported when due. 1,076

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. 173,003

Change in net assets of governmental activities **\$ 2,966,760**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**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, 2005**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 11,738,997	\$ 13,170,731	\$ 13,170,731	
Tuition.	49,800	220,984	220,984	
Transportation fees	17,500	15,625	15,625	
Earnings on investments.	27,500	87,691	87,691	
Classroom materials and fees	100,100	91,770	91,770	
Other local revenues.	41,402	41,245	41,245	
Intergovernmental - State	<u>5,435,683</u>	<u>5,534,854</u>	<u>5,534,854</u>	
Total revenue	<u>17,410,982</u>	<u>19,162,900</u>	<u>19,162,900</u>	
Expenditures:				
Current:				
Instruction:				
Regular	8,243,004	8,243,004	8,193,008	\$ 49,996
Special.	1,783,074	1,783,074	1,689,865	93,209
Vocational.	254,206	254,206	240,132	14,074
Other.	252,006	252,006	251,857	149
Support Services:				
Pupil.	1,319,329	1,319,329	1,287,230	32,099
Instructional staff	1,095,064	1,095,064	797,115	297,949
Board of education	66,464	66,464	51,179	15,285
Administration.	1,365,716	1,365,716	1,354,850	10,866
Fiscal	565,865	565,865	543,191	22,674
Business	59,050	59,050	32,690	26,360
Operations and maintenance.	1,922,139	1,922,139	1,658,578	263,561
Pupil transportation	755,780	755,780	746,336	9,444
Central.	16,115	16,115	11,787	4,328
Operation of non-instructional services	1,581	1,581		1,581
Extracurricular activities.	544,152	544,152	443,516	100,636
Facilities acquisition and construction.	<u>1,666</u>	<u>1,666</u>	<u>1,506</u>	<u>160</u>
Total expenditures	<u>18,245,211</u>	<u>18,245,211</u>	<u>17,302,840</u>	<u>942,371</u>
Excess of revenues over (under) expenditures.	<u>(834,229)</u>	<u>917,689</u>	<u>1,860,060</u>	<u>942,371</u>
Other financing sources (uses):				
Refund of prior year expenditure		4,359	4,359	
Transfers (out)	(57,244)	(57,244)	(49,610)	7,634
Advances in.	35,397	35,397	35,397	
Advances (out)	(138,538)	(138,538)	(138,538)	
Sale of capital assets		905	905	
Total other financing sources (uses).	<u>(160,385)</u>	<u>(155,121)</u>	<u>(147,487)</u>	<u>7,634</u>
Net change in fund balance	(994,614)	762,568	1,712,573	950,005
Fund balance at beginning of year	914,648	914,648	914,648	
Prior year encumbrances appropriated	62,561	62,561	62,561	
Fund balance at end of year	<u>\$ (17,405)</u>	<u>\$ 1,739,777</u>	<u>\$ 2,689,782</u>	<u>\$ 950,005</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 113,625	\$ 49,820
Receivables:		
Taxes		252,186
	113,625	302,006
Total assets	113,625	\$ 302,006
Liabilities:		
Accounts payable		\$ 977
Intergovernmental payable		252,354
Due to students		48,675
		\$ 302,006
Total liabilities		\$ 302,006
Net Assets:		
Held in trust for scholarships	113,625	
Total net assets	\$ 113,625	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Private-Purpose Trust
	Scholarship
Additions:	
Gifts and contributions.	\$ 4,627
Total additions.	4,627
Deductions:	
Scholarships awarded	4,250
Change in net assets	377
Net assets at beginning of year	113,248
Net assets at end of year	\$ 113,625

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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 249th largest in the state of Ohio (among 614 public 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 95 non-certificated employees and 140 certificated (including administrative) employees to provide services to approximately 2,221 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, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' government 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 organizations 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

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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

fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. 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 \$131,491 to 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 \$54,733 for services. Financial information can be obtained from Betty Schwiefert, who serves as Controller, 2900 South Columbus Avenue, Sandusky, Ohio 44870.

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 (the "Plan") was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The Plan'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 Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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

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 is the District's major governmental fund:

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.

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.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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

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 tax levy for 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.

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.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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

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 Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On 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.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair 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.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocation 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 primary level of budgetary control is at the fund, function, and object level for all funds. 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 express purpose of this budget document is to reflect the need for existing (or increased tax rates). By no later than January 20, the Board-adopted budget is filed with Erie County Budget Commission for rate determination.

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 Commissions' 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 amended Certificate issued during the fiscal year.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is 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 any level of control. Any revisions that alter the fund, function, and object 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.

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. 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 2005, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio).

The District has invested funds in STAR Ohio during fiscal 2005. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2005.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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

Under existing Ohio statutes all investment earning 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 2005 amounted to \$81,015, which includes \$31,297 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, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. On the fund financial statements inventories are stated at cost and expensed when purchased.

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.

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 maintains a capitalization threshold of \$2,500. 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 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:

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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

Description	Governmental Activities Estimated Lives
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 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.

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

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

Certified employees eligible to retire are eligible for a bonus. Teachers retiring between July 1, 2002, and July 1, 2005, will receive \$7,500 as a retirement bonus. Teachers retiring between July 1, 2005, and June 30, 2008, will receive \$3,750.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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

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, claims and judgments and 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. Notes 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, 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.

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 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.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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

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 2005.

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2005, the District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" and GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers".

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the District, however additional note disclosure can be found in Note 4. The implementation of GASB Technical Bulletin No. 2004-2 had the following effect on the fund balances of the major and non-major funds of the District as they were previously reported as of June 30, 2004:

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE – (Continued)

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances, June 30, 2004	\$ (799,865)	\$ 765,952	(33,913)
GASB Technical Bulletin No. 2004-2	<u>(149,401)</u>	<u>(29,046)</u>	<u>(178,447)</u>
Restated Fund Balance, June 30, 2004	<u>\$ (949,266)</u>	<u>\$ 736,906</u>	<u>\$ (212,360)</u>

B. Deficit Fund Balances

Fund balances at June 30, 2005, included the following individual fund deficits:

	<u>Deficit</u>
<u>Nonmajor Funds</u>	
Management Information System	\$ 4,894
Title I	260

These funds complied with Ohio state law, which does not permit a cash basis deficit at fiscal year-end. 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 adjustments for accrued liabilities.

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

Protection of 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.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
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.

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 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."

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 as "Cash with Fiscal Agent."

C. Deposits with Financial Institutions

At June 30, 2005, the carrying amount of all District deposits was \$15,057. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2005, \$111,884 of the District's bank balance of \$244,106 was exposed to custodial risk as discussed below, while \$132,222 was covered by Federal Deposit Insurance Corporation.

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. Such collateral, as permitted by the Ohio Revised Code, is held at Federal Reserve Banks in the name of the respective depository bank and pledged as specific collateral in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute.

D. Investments

As of June 30, 2005, the District had the following investments and maturities:

<u>Investment type</u>	<u>Balance at Fair Value</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	<u>\$ 4,487,419</u>	<u>\$ 4,487,419</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. The policy further prohibits investing in securities maturing more than two years from the date of settlement unless the investment is matched to specific obligation or debt of the District.

Credit Risk: Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Concentration of Credit Risk: The District's investment policy addresses concentration of credit risk by requiring no more than thirty percent of the District's total investment portfolio to be invested in a single security type or with a single financial institution except for the investment of direct obligations of the U.S. Treasury and STAR Ohio.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	<u>\$ 4,487,419</u>	<u>100.00%</u>

E. Reconciliation of Cash and Investment to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2005:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 15,057
Investments	4,487,419
Cash with fiscal agent	1,770
Cash on hand	<u>600</u>
Total	<u>\$ 4,504,846</u>
<u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 4,341,401
Private-purpose trust funds	113,625
Agency funds	<u>49,820</u>
Total	<u>\$ 4,504,846</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2005, 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 Fund	Non Major Governmental	<u>\$ 138,538</u>
Total		<u>\$ 138,538</u>

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, 2005 are reported on the statement of net assets.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 5 - INTERFUND TRANSACTIONS – (Continued)

- B. Interfund transfers for the year ended June 30, 2005, consisted of the following, as reported on the fund financial statements:

Transfers to Nonmajor Governmental funds from:	
General Fund	\$43,000
Transfers to Nonmajor Governmental funds from:	
Nonmajor Governmental Funds	152,749

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.

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

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, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004, and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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, 2005, are available to finance fiscal year 2005 operations.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005 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 deferred revenue.

The amount available as an advance at June 30, 2005, was \$1,221,842 in the general fund, and \$72,070 in the Permanent Improvement capital projects fund (a nonmajor governmental fund). The amount available as an advance at June 30, 2004, was \$528,676 in the general fund, and \$32,328 in the Permanent Improvement capital projects fund (a nonmajor governmental fund).

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

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second Half Collections		2005 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 327,051,440	85.49	\$336,789,280	83.01
Public utility personal	14,025,380	3.67	13,761,190	3.39
Tangible personal property	<u>41,468,763</u>	<u>10.84</u>	<u>55,151,708</u>	<u>13.60</u>
 Total	 <u>\$ 382,545,583</u>	 <u>100.00</u>	 <u>\$405,702,178</u>	 <u>100.00</u>
 Tax rate per \$1,000 of assessed valuation	 \$ 65.65		 \$ 65.65	

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 7 - RECEIVABLES

Receivables at June 30, 2005 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	\$ 13,827,584
Accounts	1,939
Intergovernmental	<u>101,767</u>
Total	<u>\$ 13,931,290</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

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance 06/30/04	Additions	Deductions	Balance 06/30/05
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 316,850			\$ 316,850
Total capital assets, not being depreciated	<u>316,850</u>			<u>316,850</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	327,181			327,181
Buildings and improvements	10,295,786			10,295,786
Furniture and equipment	1,554,403	\$ 5,536	\$ (29,910)	1,530,029
Vehicles	1,658,111	-	-	1,658,111
Total capital assets, being depreciated	<u>13,835,481</u>	<u>5,536</u>	<u>(29,910)</u>	<u>13,811,107</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(320,033)	(224)		(320,257)
Buildings and improvements	(8,642,571)	(207,832)		(8,850,403)
Furniture and equipment	(1,115,072)	(100,254)	29,910	(1,185,416)
Vehicles	(1,552,829)	(84,129)	-	(1,636,958)
Total accumulated depreciation	<u>(11,630,505)</u>	<u>(392,439)</u>	<u>29,910</u>	<u>(11,993,034)</u>
Governmental activities capital assets, net	<u>\$ 2,521,826</u>	<u>\$ (386,903)</u>	<u>\$ -</u>	<u>\$ 2,134,923</u>

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 8 - CAPITAL ASSETS – (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$135,765
Special	13,630
Vocational	3,971
<u>Support Services:</u>	
Pupil	33,005
Instructional Staff	11,650
Board of Education	1,832
Administration	11,580
Fiscal	1,020
Operations and Maintenance	29,401
Pupil Transportation	75,301
Operation of Non-instructional	2,267
Extracurricular Activities	44,578
Food Service Operation	<u>28,439</u>
Total depreciation expense	<u><u>\$392,439</u></u>

NOTE 9 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2005, the following changes occurred in governmental activities long-term obligations.

	<u>Interest</u>	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Amounts</u>
	<u>Rate</u>	<u>Outstanding</u>			<u>Outstanding</u>	<u>Due in</u>
		<u>06/30/04</u>			<u>06/30/05</u>	<u>One Year</u>
Governmental Activities:						
<u>General Obligation Notes:</u>						
Energy conservation notes	5.5%	\$ 280,000	\$ -	\$ (140,000)	\$ 140,000	\$ 140,000
Total general obligation notes payable		<u>\$ 280,000</u>	<u>\$ -</u>	<u>\$ (140,000)</u>	<u>\$ 140,000</u>	<u>\$ 140,000</u>
<u>Other Long-Term Obligations:</u>						
Compensated absences		\$ 1,185,816	\$ 20,980	\$ (238,754)	\$ 968,042	\$ 97,619
Total other long-term obligations		<u>\$ 1,185,816</u>	<u>\$ 20,980</u>	<u>\$ (238,754)</u>	<u>\$ 968,042</u>	<u>\$ 97,619</u>
Total governmental activities		<u>\$ 1,465,816</u>	<u>\$ 20,980</u>	<u>\$ (378,754)</u>	<u>\$ 1,108,042</u>	<u>\$ 237,619</u>

Compensated Absences: Compensated absences will be paid from the fund from which the employee's salaries are paid.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 9 - LONG-TERM OBLIGATIONS – (Continued)

Energy Conservation Notes: During a prior fiscal year, the District issued unvoted long-term “energy conservation” notes, under authority of H.B. 264. Energy conservation notes outstanding are general obligations of the District, for which the District’s full faith and credit are pledged for repayment. Payments of principal and interest relating to these notes are recorded as expenditures in the debt service fund; however, unlike general obligation bonds, Ohio statute allows for the issuance of these notes without voter approval, and the subsequent repayment of the notes from operating revenues.

- B. Principal and interest requirements to retire the long-term obligations outstanding at June 30, 2005, are as follows:

<u>Year Ended</u>	<u>Energy Conservation Notes</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	<u>\$ 140,000</u>	<u>\$ 3,850</u>	<u>\$ 143,850</u>
Total	<u>\$ 140,000</u>	<u>\$ 3,850</u>	<u>\$ 143,850</u>

C. 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. In addition, the code further provides that unvoted indebtedness for energy conservation measures shall not exceed 9/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2005, are a voted debt margin of \$36,520,986 (including available funds of \$7,790) and an unvoted debt margin of \$405,702, and energy conservation debt margin of \$3,511,320.

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-six days for classified employees who receive an additional seven days if they notify the District by February 1. Certified employees receive thirty percent, up to a maximum of 40 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 and SERS.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 10 - OTHER EMPLOYEE BENEFITS – (Continued)

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 also provided in the amount of \$10,000.

C. Retirement Incentive

The District offers a one-time retirement bonus in the amount of \$7,500 to all certified employees who provide the District with their notice of retirement by March 1 and complete the balance of the school year. The retirement bonus is payable upon completion of service through the last work day of the school year.

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 2005, 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	\$ 1,000,000	\$ -
Aggregate		3,000,000	
Fleet:			
Collision/Comprehensive	The Netherlands Ins. Co.	1,000,000	1,000/500
Umbrella liability	Ohio School Plan	2,000,000	
Building and contents	Indiana Insurance	49,282,877	10,000

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.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 11 - RISK MANAGEMENT – (Continued)

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.

C. OSBA Group Workers' Compensation Rating Program

For fiscal year 2005, 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.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides 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. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% 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 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 12 - DEFINED BENEFIT PENSION PLANS – (Continued)

The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003, were \$252,191, \$238,198, and \$211,097, respectively; 45.72% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$136,888 represents the unpaid contribution for fiscal year 2005.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS 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 member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% 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 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% 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 years 2005 and 2004, 13% of annual covered salary was the portion used to fund pension obligations.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 12 - DEFINED BENEFIT PENSION PLANS – (Continued)

Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$1,130,242, \$1,216,007, and \$1,181,944, respectively; 84.88% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$170,849 represents the unpaid contribution for fiscal year 2005.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement Systems/State Teachers Retirement System. As of June 30, 2005, three members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For fiscal year 2005, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$86,942 during fiscal 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.1 billion at June 30, 2004 (the latest information available). For the fiscal year ended June 30, 2004 (the latest information available), net health care costs paid by STRS were \$268.739 million and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 13 - POSTEMPLOYMENT BENEFITS – (Continued)

For fiscal year 2005, employer contributions to fund health care benefits were 3.43% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the 2005 fiscal year, the District paid \$121,612 to fund health care benefits, including the surcharge.

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2005, were \$178,221,113. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168% of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide health care reserve equal to at least 150% of the estimated annual net claims costs. The number of participants eligible to receive benefits is 58,123.

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 Revenue, 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).

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING – (Continued)

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	\$ 1,712,573
Net adjustment for revenue accruals	689,581
Net adjustment for expenditure accruals	107,113
Net adjustment for other sources/uses	105,392
Adjustment for encumbrances	<u>86,895</u>
GAAP basis	<u>\$ 2,701,554</u>

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 a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and spending projects. The District management is of the opinion that disposition of the claim and legal proceedings will not have a material effect, if any, on the financial condition of the District.

C. State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 16 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2005, the reserve activity was as follows:

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2004	\$ (1,147,708)	\$ -
Current year set-aside requirement	321,968	\$ 321,968
Current year offsets		(664,324)
Qualifying disbursements	<u>(351,016)</u>	<u>(3,540)</u>
Total	<u>\$ (1,176,756)</u>	<u>\$ (345,896)</u>
Balance carried forward to FY 2006	<u>\$ (1,176,756)</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, this extra amount may be used to reduce the set-aside requirement for future years. The negative amount is therefore presented as being carried forward to the next fiscal year.

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.

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 \$2,077 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.

NOTE 18 - SUBSEQUENT EVENT

On January 11, 2006, William Haggerty retired from his duties for the District as Treasurer. Lisa Crescimano has been named as his successor.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005

FEDERAL GRANTOR Pass Through Grantor Program Title	Federal CFDA Number	Grant Number
U.S. DEPARTMENT OF AGRICULTURE		
Passed Through Ohio Department of Education:		
<u>Nutrition Cluster:</u>		
Food Distribution Program	10.550	
National School Lunch Program	10.555	
Total U.S. Department of Agriculture - Nutrition Cluster		
U.S. DEPARTMENT OF EDUCATION		
Passed Through Ohio Department of Education:		
<u>Special Education Cluster:</u>		
Special Education - Grants to States	84.027	046813-6BSF-2005
Special Education - Preschool Grant	84.173	046813-PGS1-2005
Total Special Education Cluster		
Grants to Local Educational Agencies (ESEA Title I)	84.010	046813-C1S1-2004 046813-C1S1-2005
Total Grants to Local Educational Agencies (ESEA Title I)		
Safe and Drug-Free Schools and Communities - State Grants	84.186	046813-DRS1-2004 046813-DRS1-2004
Innovative Education Program Strategies	84.298	046183-C2S1-2004 046183-C2S1-2005
Total Innovative Education Program Strategies		
Improving Teacher Quality State Grant	84.367	046813-TRS1-2004 046813-TRS1-2005
Total Improving Teacher Quality State Grant		
Technology Literacy Challenge Fund Grant	84.318	046813-TJS1-2004 046813-TJS1-2005
Total Technology Literacy Challenge Fund Grant		
Total U.S. Department of Education		
Total Federal Financial Assistance		

The accompanying notes are an integral part of this schedule.

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
	\$ 88,108		\$ 88,108
\$ 122,610		\$ 122,610	
122,610	88,108	122,610	88,108
410,348		410,348	
13,123		13,123	
423,471		423,471	
652		25,464	
121,192		95,727	
121,844		121,191	
(255)			
7,915		7,660	
7,660		7,660	
(1,161)		412	
12,665		10,708	
11,504		11,120	
4,421		3,786	
96,164		76,930	
100,585		80,716	
(279)			
1,090		349	
811		349	
665,875		644,507	
\$ 788,485	\$ 88,108	\$ 767,117	\$ 88,108

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**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2005**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed Federal monies are expended first.

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE D - CARRYOVER FUNDS

Negative receipts are shown in the Safe and Drug Free Schools and Communities – State Grants, CFDA #84.186; Innovative Education Program Strategies, CFDA #84.298; and the Technology Literacy Challenge Fund Grant, CFDA #84.318. These negative receipts represent monies on the final expenditure report that were unspent after the initial period of availability had ended. In accordance with carryover provisions permitted by the Ohio Department of Education these monies were carried over to the subsequent years' award amounts.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Perkins Local School District, Erie County (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 10, 2006, in which we noted the District implemented Governmental Accounting Standards Board Technical Bulletin 2004-02, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers*. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated April 10, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001. In a separate letter to the District's management dated April 10, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 10, 2006



**Auditor of State
Betty Montgomery**

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Perkins Local School District, Erie County (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal programs for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Perkins Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

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

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

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

April 10, 2006

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified.
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No.
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No.
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes.
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No.
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No.
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified.
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No.
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster (CFDA #84.027 and 84.173).
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes.

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

FINDING NUMBER 2005-001

Noncompliance Citation

Ohio Revised Code §121.22 (C) states in part that the minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and shall be open to public inspection. The minutes need only reflect the general subject matter of discussions in executive sessions authorized under division (G) or (J) of this section.

**FINDING NUMBER 2005-001
(Continued)**

Our review of the minutes for meetings held by the Board of Education during fiscal year 2005 identified several instances in which actions taken by the Board were not documented in the minute record. It was noted that the compensation for Board members with terms commencing January 1, 2004, was increased. However, the minutes do not document formal action approving this increase in compensation. It was also noted in nine instances that the Board of Education entered into executive session. However the purpose for entering into executive session was not documented in the minutes.

The omission of formal actions taken by the Board in the minutes prevents the public from being fully apprised of actions taken as well as the rationale behind the actions taken by the Board. The Board should approve the change in Board member compensation retroactive to January 1, 2004, and document this action in the minutes. Furthermore, any actions involving Board member compensation should be approved in an open session and clearly be documented in the minutes. Ohio Revised Code §121.22(G) provides the permissible matters that may be discussed in executive session. The purpose for entering into executive session should be documented in the minutes.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None.

PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Ohio Revised Code §5705.39; appropriations in excess of estimated resources.	Yes.	



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
MAY 4, 2006**