

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

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

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2010**

**LISA M. CRESCIMANO, TREASURER**





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Perkins Local School District, Erie County, prepared by Julian & Grube, Inc., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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Dave Yost  
Auditor of State

January 21, 2011

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

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Perkins Local School District, Erie County, Ohio, as of and for the fiscal year ended June 30, 2010, which collectively comprise the Perkins Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Perkins Local School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, its major fund, and the aggregate remaining fund information of the Perkins Local School District, as of June 30, 2010, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2010 on our consideration of the Perkins Local School 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.

The 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 of the required supplementary information. However, we did not audit the information and express no opinion on it.

Independent Auditor's Report  
Perkins Local School District  
Page Two

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

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

Julian & Grube, Inc.  
December 3, 2010

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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, 2010. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2010 are as follows:

- In total, net assets of governmental activities increased \$1,536,872 which represents an 11.39% increase from 2009.
- General revenues accounted for \$21,266,053 in revenue or 79.06% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,633,493 or 20.94% of total revenues of \$26,899,546.
- The District had \$25,362,674 in expenses related to governmental activities; only \$5,633,493 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$21,266,053 were adequate to provide for these programs.
- The District's major governmental fund is the general fund. The general fund had \$21,559,355 in revenues and \$21,461,258 in expenditures and other financing uses. During fiscal year 2010, the general fund's fund balance increased \$107,991 from a balance of \$5,032,685 to a balance of \$5,140,676.

**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, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2010?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

The analysis of the District's major governmental fund begins on page 9. Fund financial reports provide detailed information about the District's major fund. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental 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* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

***Reporting the District's Fiduciary Responsibilities***

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

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-49 of this report.

**The District as a Whole**

The table below provides a summary of the District's net assets at June 30, 2010 and June 30, 2009.

	<b>Net Assets</b>	
	Governmental Activities 2010	Governmental Activities 2009
<b><u>Assets</u></b>		
Current and other assets	\$ 22,787,853	\$ 21,129,554
Capital assets, net	<u>9,858,750</u>	<u>10,091,757</u>
Total assets	<u>32,646,603</u>	<u>31,221,311</u>
<b><u>Liabilities</u></b>		
Current liabilities	13,728,827	13,069,646
Long-term liabilities	<u>3,882,776</u>	<u>4,653,537</u>
Total liabilities	<u>17,611,603</u>	<u>17,723,183</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	7,026,687	6,525,849
Restricted	1,650,419	1,077,658
Unrestricted	<u>6,357,894</u>	<u>5,894,621</u>
Total net assets	<u>\$ 15,035,000</u>	<u>\$ 13,498,128</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the District's assets exceeded liabilities by \$15,035,000.

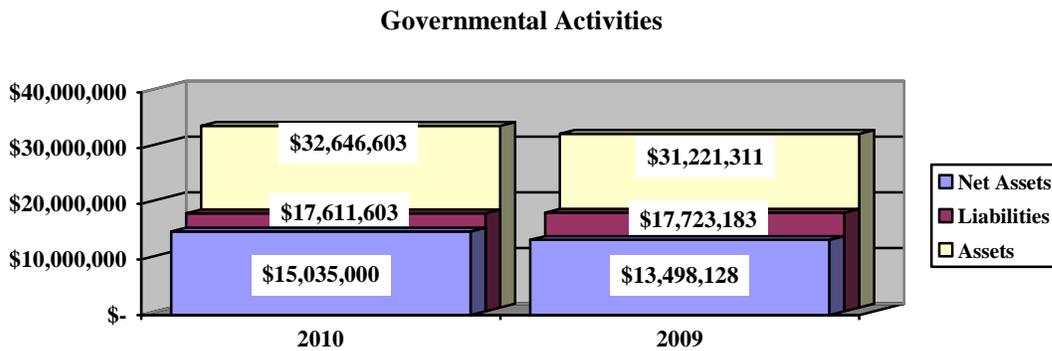
**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

At fiscal year-end, capital assets represented 30.20% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2010, were \$7,026,687. 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, \$1,650,419, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$6,357,894 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below presents the District's governmental assets, liabilities and net assets at June 30, 2010 and June 30, 2009.



The table below shows the change in net assets for fiscal years 2010 and 2009.

**Change in Net Assets**

	Governmental Activities 2010	Governmental Activities 2009
<b>Revenues</b>		
Program revenues:		
Charges for services and sales	\$ 3,399,373	\$ 2,474,585
Operating grants and contributions	2,067,187	1,538,929
Capital grants and contributions	166,933	42,953
General revenues:		
Property taxes	13,356,680	14,177,343
Grants and entitlements	7,871,394	7,399,938
Investment earnings	20,104	130,044
Other	17,875	64,574
<b>Total revenues</b>	<b>26,899,546</b>	<b>25,828,366</b>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**Change in Net Assets**

	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 10,702,476	\$ 10,698,634
Special	3,866,760	2,835,625
Vocational	138,557	154,784
Other	477,440	408,419
Support services:		
Pupil	1,711,218	1,657,484
Instructional staff	1,379,954	1,128,098
Board of education	35,883	23,256
Administration	1,622,711	1,460,435
Fiscal	531,586	581,201
Business	874	12,014
Operations and maintenance	1,999,219	2,105,584
Pupil transportation	942,446	901,425
Central	132,167	71,113
Operation of non-instructional services:		
Food service operations	902,934	929,462
Other non-instructional services	55,389	50,304
Extracurricular activities	719,445	718,799
Interest and fiscal charges	<u>143,615</u>	<u>124,169</u>
Total expenses	<u>25,362,674</u>	<u>23,860,806</u>
Change in net assets	1,536,872	1,967,560
Net assets at beginning of year	<u>13,498,128</u>	<u>11,530,568</u>
Net assets at end of year	<u>\$ 15,035,000</u>	<u>\$ 13,498,128</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$1,536,872. Total governmental expenses of \$25,362,674 were offset by program revenues of \$5,633,493 and general revenues of \$21,266,053. Program revenues supported 22.21% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These two revenue sources represent 78.92% of total governmental revenue.

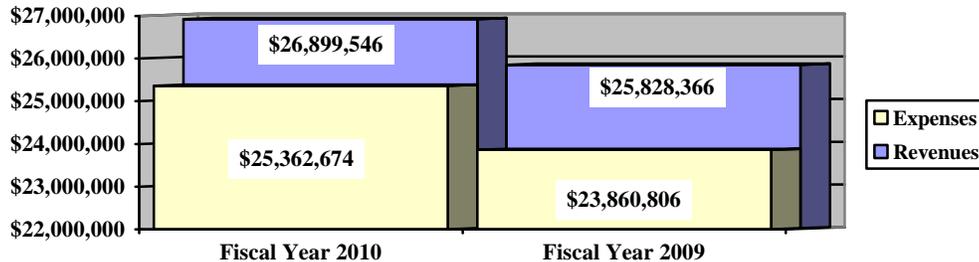
The largest expense of the District is for instructional programs. Instruction expenses totaled \$15,185,233 or 59.87% of total governmental expenses for fiscal year 2010.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2010 and 2009.

**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 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
<b>Program expenses</b>				
Instruction:				
Regular	\$ 10,702,476	\$ 8,377,465	\$ 10,698,634	\$ 8,995,311
Special	3,866,760	2,545,170	2,835,625	2,136,730
Vocational	138,557	137,583	154,784	153,818
Other	477,440	470,187	408,419	408,419
Support services:				
Pupil	1,711,218	1,498,701	1,657,484	1,476,830
Instructional staff	1,379,954	1,184,356	1,128,098	1,107,178
Board of education	35,883	3,008	23,256	23,196
Administration	1,622,711	1,574,104	1,460,435	1,403,216
Fiscal	531,586	522,597	581,201	580,480
Business	874	874	12,014	12,014
Operations and maintenance	1,999,219	1,823,010	2,105,584	2,082,130
Pupil transportation	942,446	826,577	901,425	815,064
Central	132,167	103,685	71,113	40,623
Operation of non-instructional services:				
Food service operations	902,934	22,201	929,462	(25,775)
Other non-instructional services	55,389	5,704	50,304	(6,391)
Extracurricular activities	719,445	490,344	718,799	477,327
Interest and fiscal charges	143,615	143,615	124,169	124,169
<b>Total expenses</b>	<u>\$ 25,362,674</u>	<u>\$ 19,729,181</u>	<u>\$ 23,860,806</u>	<u>\$ 19,804,339</u>

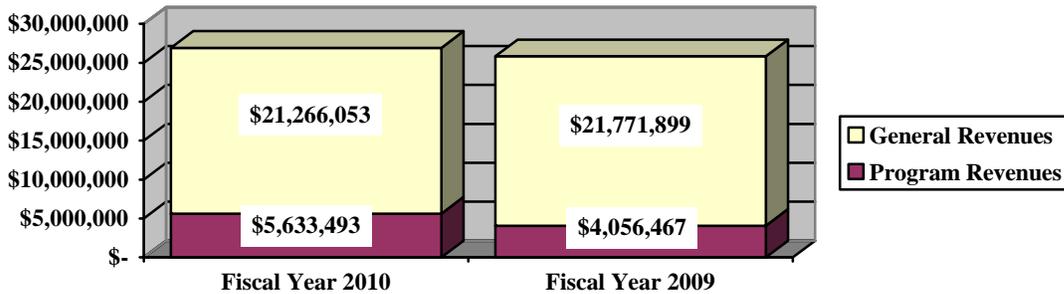
**PERKINS LOCAL SCHOOL DISTRICT  
ERIE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The dependence upon tax and other general revenues for governmental activities is apparent, 75.93% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 77.79%. The District's taxpayers and grants and entitlements are the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2010 and 2009.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$6,415,564, which is more than last year's balance of \$6,111,781. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2010 and June 30, 2009.

	Fund Balance June 30, 2010	Fund Balance June 30, 2009	Increase
General	\$ 5,140,676	\$ 5,032,685	\$ 107,991
Other governmental	<u>1,274,888</u>	<u>1,079,096</u>	<u>195,792</u>
Total	<u>\$ 6,415,564</u>	<u>\$ 6,111,781</u>	<u>\$ 303,783</u>

**General Fund**

The District's general fund balance increased \$107,991. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>2010</u> <u>Amount</u>	<u>2009</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 11,198,169	\$ 12,702,056	(11.84) %
Tuition	2,279,207	1,405,000	62.22 %
Earnings on investments	19,599	125,160	(84.34) %
Intergovernmental	7,752,357	7,432,871	4.30 %
Other revenues	<u>310,023</u>	<u>239,407</u>	29.50 %
 Total	 <u>\$ 21,559,355</u>	 <u>\$ 21,904,494</u>	 (1.58) %
<b><u>Expenditures</u></b>			
Instruction	\$ 13,678,408	\$ 13,219,327	3.47 %
Support services	7,081,826	7,388,981	(4.16) %
Operation of non-instructional services	-	1,345	(100.00) %
Extracurricular activities	485,858	494,467	(1.74) %
Facilities acquisition and construction	<u>163,679</u>	<u>-</u>	100.00 %
 Total	 <u>\$ 21,409,771</u>	 <u>\$ 21,104,120</u>	 1.45 %

The decrease in earnings on investments is due to declining interest rates. Tuition revenue increased \$874,207, or 62.22%, from the prior year due to open enrollment. Other revenue increased \$70,616 and is comprised of receipts which are not categorized elsewhere. The expenditures of the general fund increased from the prior year due primarily to instructional services which increased because of salary raises for teachers.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2010, the District amended its general fund budget several times. For the general fund, original and final budgeted revenues and other financing sources were \$21,674,537 and \$21,674,537, respectively. Actual revenues and other financing sources for fiscal year 2010 were \$21,763,852. This represents an \$89,315 increase from final budgeted revenues.

General fund original and final appropriations (appropriated expenditures including other financing uses) were \$23,114,096 and \$23,149,546, respectively. The actual budget basis expenditures and other financing uses for fiscal year 2010 totaled \$21,850,765, which was \$1,298,781 less than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2010, the District had \$9,858,750 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. This entire amount is reported in governmental activities. The table that follows shows June 30, 2010 balances compared to June 30, 2009:

<b>Capital Assets at June 30 (Net of Depreciation)</b>		
<u>Governmental Activities</u>		
	<u>2010</u>	<u>2009</u>
Land	\$ 647,925	\$ 647,925
Construction in progress	96,430	1,919,772
Land improvements	659,276	649,496
Buildings and improvements	4,819,979	3,011,196
Furniture and equipment	3,202,838	3,461,402
Vehicles	<u>432,302</u>	<u>401,966</u>
Total	<u>\$ 9,858,750</u>	<u>\$ 10,091,757</u>

The overall decrease in capital assets of \$233,007 is due to depreciation expense of \$1,022,240 exceeding capital outlays of \$859,277 and disposals of \$70,044 (net of accumulated depreciation). During fiscal year 2010, the construction in progress for the District's energy conservation project was completed and moved to buildings and improvements. Although the construction was completed, the wind turbines related to the project were still undergoing testing at year-end.

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

*Debt Administration*

At June 30, 2010, the District had \$2,832,063 in capital lease obligations outstanding. Of this total, \$703,648 is due within one year and \$2,128,415 is due in greater than one year. The following table summarizes the capital lease obligations outstanding at June 30, 2010 and June 30, 2009.

<b>Outstanding Debt, at Year End</b>		
	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
Capital lease obligation- HB264 Project	\$ 1,646,666	\$ 1,773,333
Capital lease obligation- Apple Equipment	1,185,397	1,732,575
Land purchase note	<u>-</u>	<u>60,000</u>
Total	<u>\$ 2,832,063</u>	<u>\$ 3,565,908</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

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

**Current Financial Related Activity**

The Perkins Board of Education and administration has carefully managed its general fund budgets in order to optimize the dollars available for educating the students it serves, and to minimize the levy millage amounts needed periodically from the community. Sound fiscal management has enabled the District to maintain a healthy cash balance and continue a quality, comprehensive educational program. During the 2009-2010 school year, the District netted \$1,648,459 through open enrollment which provided the dollars needed to continue operating effectively.

The District currently has an adequate cash balance to meet operating expenses for the next couple of years. However, in fiscal year 2012 our projections show operating expenses exceeding operating revenue and that trend is projected to continue over the remainder of the District's five-year forecast. In spite of this, the Board will continue to evaluate all aspects of its operations, making prudent decisions where appropriate, in order to maximize its resources and offer excellent educational services.

The financial future of the Perkins Local School District is not without its challenges. These challenges are internal and external in nature. The internal challenges will continue to exist as the District must rely on local property taxes to fund its operations. External challenges continue to evolve as the State of Ohio determines the amount of funding they will allocate to education through each of their biennium budgets. In the biennium budget adopted by the State of Ohio in July 2009, the District will see a decrease in funding from the State of Ohio. As part of the American Reinvestment and Recovery Act (ARRA) of 2009, the State of Ohio has used a portion of their two-year allocation of the Federal Stimulus money to reduce intended cuts to education for fiscal year 2010 and fiscal year 2011. This funding is in essence replacing a portion of state funding. Current indicators show that these funds will be provided to Districts during fiscal year 2010 and fiscal year 2011 only.

The District has committed itself to educational and financial excellence for many years. The budgeting and internal controls utilized by the District have resulted in unqualified audit opinions. Each challenge identified in this section is viewed simultaneously as an opportunity for the District to continue its commitment to excellence. The District is committed to living within its financial means, and working with the community it serves in order to accumulate adequate resources to support the educational program.

**Contacting the District's Financial Management**

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

**BASIC  
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS  
JUNE 30, 2010

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 8,026,118
Cash with fiscal agent . . . . .	1,770
Cash with escrow agent . . . . .	77,701
Receivables:	
Taxes . . . . .	14,399,725
Intergovernmental . . . . .	130,961
Prepayments . . . . .	37,700
Materials and supplies inventory. . . . .	113,878
Capital assets:	
Land . . . . .	647,925
Construction in progress. . . . .	96,430
Depreciable capital assets, net. . . . .	9,114,395
Total capital assets, net . . . . .	<u>9,858,750</u>
 Total assets. . . . .	 <u>32,646,603</u>
<b>Liabilities:</b>	
Accounts payable. . . . .	220,245
Contracts payable. . . . .	152,158
Retainage payable . . . . .	23,997
Accrued wages and benefits . . . . .	2,271,774
Pension obligation payable . . . . .	554,407
Intergovernmental payable . . . . .	89,931
Unearned revenue . . . . .	10,368,994
Accrued interest payable . . . . .	45,551
Matured bonds payable . . . . .	1,770
Long-term liabilities:	
Due within one year. . . . .	896,643
Due in more than one year . . . . .	2,986,133
 Total liabilities . . . . .	 <u>17,611,603</u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	7,026,687
Restricted for:	
Capital projects . . . . .	913,906
Locally funded programs . . . . .	932
State funded programs. . . . .	92,264
Federally funded programs . . . . .	15,780
Student activities . . . . .	264,750
Other purposes . . . . .	362,787
Unrestricted. . . . .	6,357,894
 Total net assets . . . . .	 <u>\$ 15,035,000</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 10,702,476	\$ 1,977,728	\$ 347,283	\$ -	\$ (8,377,465)
Special . . . . .	3,866,760	509,582	812,008	-	(2,545,170)
Vocational . . . . .	138,557	-	974	-	(137,583)
Other . . . . .	477,440	-	7,253	-	(470,187)
Support services:					
Pupil . . . . .	1,711,218	386	189,453	22,678	(1,498,701)
Instructional staff . . . . .	1,379,954	-	160,626	34,972	(1,184,356)
Board of education . . . . .	35,883	21,766	11,109	-	(3,008)
Administration . . . . .	1,622,711	-	48,607	-	(1,574,104)
Fiscal . . . . .	531,586	-	275	8,714	(522,597)
Business . . . . .	874	-	-	-	(874)
Operations and maintenance . . . . .	1,999,219	100,322	36,092	39,795	(1,823,010)
Pupil transportation . . . . .	942,446	8,615	46,480	60,774	(826,577)
Central . . . . .	132,167	-	28,482	-	(103,685)
Operation of non-instructional services:					
Food service operations . . . . .	902,934	579,379	301,354	-	(22,201)
Other non-instructional services . . . . .	55,389	652	49,033	-	(5,704)
Extracurricular activities . . . . .	719,445	200,943	28,158	-	(490,344)
Interest and fiscal charges . . . . .	143,615	-	-	-	(143,615)
<b>Total governmental activities . . . . .</b>	<b>\$ 25,362,674</b>	<b>\$ 3,399,373</b>	<b>\$ 2,067,187</b>	<b>\$ 166,933</b>	<b>(19,729,181)</b>

**General Revenues:**

Property taxes levied for:	
General purposes . . . . .	11,862,355
Capital outlay . . . . .	1,494,325
Grants and entitlements not restricted to specific programs . . . . .	7,871,394
Investment earnings . . . . .	20,104
Miscellaneous . . . . .	17,875
<b>Total general revenues . . . . .</b>	<b>21,266,053</b>
Change in net assets . . . . .	1,536,872
<b>Net assets at beginning of year . . . . .</b>	<b>13,498,128</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 15,035,000</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents. . . . .	\$ 6,327,519	\$ 1,698,599	\$ 8,026,118
Cash with fiscal agent. . . . .	-	1,770	1,770
Cash with escrow agent. . . . .	-	77,701	77,701
Receivables:			
Taxes . . . . .	13,684,336	715,389	14,399,725
Intergovernmental. . . . .	6,883	124,078	130,961
Interfund loans . . . . .	98,667	-	98,667
Prepayments. . . . .	37,700	-	37,700
Materials and supplies inventory. . . . .	75,019	38,859	113,878
<b>Total assets . . . . .</b>	<b>\$ 20,230,124</b>	<b>\$ 2,656,396</b>	<b>\$ 22,886,520</b>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 85,026	\$ 135,219	\$ 220,245
Contracts payable. . . . .	89,387	62,771	152,158
Retainage payable. . . . .	-	23,997	23,997
Accrued wages and benefits . . . . .	2,129,155	142,619	2,271,774
Compensated absences payable. . . . .	114,386	1,008	115,394
Pension obligation payable . . . . .	479,051	75,356	554,407
Intergovernmental payable . . . . .	84,489	5,442	89,931
Interfund loans payable . . . . .	-	98,667	98,667
Matured bonds payable. . . . .	-	1,770	1,770
Deferred revenue . . . . .	2,429,949	143,670	2,573,619
Unearned revenue . . . . .	9,678,005	690,989	10,368,994
<b>Total liabilities. . . . .</b>	<b>15,089,448</b>	<b>1,381,508</b>	<b>16,470,956</b>
<b>Fund Balances:</b>			
Reserved for encumbrances. . . . .	142,764	108,860	251,624
Reserved for materials and supplies inventory . . . . .	75,019	38,859	113,878
Reserved for property tax unavailable for appropriation. . . . .	1,576,382	90,236	1,666,618
Reserved for prepayments. . . . .	37,700	-	37,700
Reserved for debt service . . . . .	-	4,260	4,260
Unreserved, undesignated, reported in:			
General fund. . . . .	3,308,811	-	3,308,811
Special revenue funds . . . . .	-	358,735	358,735
Capital projects funds . . . . .	-	673,938	673,938
<b>Total fund balances . . . . .</b>	<b>5,140,676</b>	<b>1,274,888</b>	<b>6,415,564</b>
<b>Total liabilities and fund balances . . . . .</b>	<b>\$ 20,230,124</b>	<b>\$ 2,656,396</b>	<b>\$ 22,886,520</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2010

<b>Total governmental fund balances</b>		\$	6,415,564
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			9,858,750
Other long-term assets, including taxes receivable and intergovernmental receivables are available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	2,524,003	
Intergovernmental receivable		49,616	
Total			2,573,619
In the statement of activities interest is accrued on outstanding capital leases, whereas in governmental funds, interest expenditures are reported when due.			(45,551)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Capital lease payable - HB264 project		(1,646,666)	
Capital lease payable - Apple equipment		(1,185,397)	
Compensated absences payable		(935,319)	
Total			(3,767,382)
<b>Net assets of governmental activities</b>		\$	15,035,000

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>			
From local sources:			
Taxes . . . . .	\$ 11,198,169	\$ 1,468,984	\$ 12,667,153
Tuition. . . . .	2,279,207	-	2,279,207
Transportation fees. . . . .	8,615	-	8,615
Earnings on investments . . . . .	19,599	984	20,583
Charges for services . . . . .	-	641,929	641,929
Extracurricular. . . . .	37,006	186,089	223,095
Classroom materials and fees . . . . .	205,743	-	205,743
Other local revenues . . . . .	58,659	337,949	396,608
Intergovernmental - state . . . . .	7,752,357	435,978	8,188,335
Intergovernmental - federal. . . . .	-	1,543,376	1,543,376
Total revenue . . . . .	<u>21,559,355</u>	<u>4,615,289</u>	<u>26,174,644</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular. . . . .	10,270,179	348,675	10,618,854
Special . . . . .	2,811,481	1,045,363	3,856,844
Vocational . . . . .	126,205	-	126,205
Other . . . . .	470,543	6,897	477,440
Support services:			
Pupil . . . . .	1,406,901	253,577	1,660,478
Instructional staff . . . . .	769,112	203,225	972,337
Board of education . . . . .	35,669	-	35,669
Administration . . . . .	1,472,551	141,332	1,613,883
Fiscal . . . . .	517,634	11,352	528,986
Business. . . . .	1,843	-	1,843
Operations and maintenance . . . . .	1,908,306	146,305	2,054,611
Pupil transportation . . . . .	868,401	77,249	945,650
Central . . . . .	101,409	30,758	132,167
Operation of non-instructional. . . . .	-	55,389	55,389
Food service operations . . . . .	-	896,226	896,226
Extracurricular activities . . . . .	485,858	193,413	679,271
Facilities acquisition and construction. . . . .	163,679	176,528	340,207
Debt service:			
Principal retirement. . . . .	-	733,845	733,845
Interest and fiscal charges . . . . .	-	165,551	165,551
Total expenditures . . . . .	<u>21,409,771</u>	<u>4,485,685</u>	<u>25,895,456</u>
Excess of revenues over expenditures . . . . .	<u>149,584</u>	<u>129,604</u>	<u>279,188</u>
<b>Other financing sources (uses):</b>			
Transfers in. . . . .	-	950,883	950,883
Transfers (out) . . . . .	(51,487)	(899,396)	(950,883)
Total other financing sources (uses) . . . . .	<u>(51,487)</u>	<u>51,487</u>	<u>-</u>
Net change in fund balances . . . . .	98,097	181,091	279,188
<b>Fund balances at beginning of year . . . . .</b>	<b>5,032,685</b>	<b>1,079,096</b>	<b>6,111,781</b>
<b>Increase in reserve for inventory . . . . .</b>	<b>9,894</b>	<b>14,701</b>	<b>24,595</b>
<b>Fund balances at end of year . . . . .</b>	<b><u>\$ 5,140,676</u></b>	<b><u>\$ 1,274,888</u></b>	<b><u>\$ 6,415,564</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<b>Net change in fund balances - total governmental funds</b>	\$	279,188
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. Depreciation expense exceeds capital outlays in the current period.		
Capital asset additions	\$ 859,277	
Current year depreciation	<u>(1,022,240)</u>	
Total		(162,963)
 The net effect of various miscellaneous transactions involving capital assets is to increase net assets.		
Sale of capital assets	559,617	
Accumulated depreciation on disposal of capital assets	<u>(489,573)</u>	
Total		(70,044)
 Governmental funds report expenditures for inventory when purchased, however, in the statement of activities they are reported as an expense when consumed.		
		24,595
 In the statement of activities, interest is accrued on outstanding notes and leases, whereas in governmental funds, an interest expenditure is reported when due.		
		16,789
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Tax revenue	689,527	
Intergovernmental revenue	<u>35,375</u>	
Total		724,902
 Principal payments on notes and capital lease obligations are expenditures in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		733,845
 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.		
		<u>(9,440)</u>
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u><u>1,536,872</u></u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 11,237,446	\$ 11,237,446	\$ 11,253,088	\$ 15,642
Tuition. . . . .	2,291,453	2,291,453	2,279,207	(12,246)
Transportation fees. . . . .	7,466	7,466	7,648	182
Earnings on investments . . . . .	15,500	15,500	19,599	4,099
Extracurricular . . . . .	32,970	32,970	37,006	4,036
Classroom materials and fees . . . . .	134,420	134,420	205,743	71,323
Other local revenues . . . . .	42,800	42,800	70,403	27,603
Intergovernmental - state . . . . .	7,785,328	7,785,328	7,752,358	(32,970)
Total revenue . . . . .	<u>21,547,383</u>	<u>21,547,383</u>	<u>21,625,052</u>	<u>77,669</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	10,616,882	10,638,185	10,310,193	327,992
Special. . . . .	2,766,458	2,882,171	2,774,241	107,930
Vocational. . . . .	143,749	142,581	127,189	15,392
Other. . . . .	417,510	495,577	473,146	22,431
Support Services:				
Pupil. . . . .	1,416,443	1,518,288	1,427,422	90,866
Instructional staff . . . . .	1,185,633	1,070,197	849,311	220,886
Board of education . . . . .	45,085	46,085	35,429	10,656
Administration. . . . .	1,591,110	1,550,914	1,450,161	100,753
Fiscal . . . . .	611,483	591,885	515,977	75,908
Business . . . . .	2,237	2,237	1,787	450
Operations and maintenance. . . . .	2,272,985	2,066,709	1,942,534	124,175
Pupil transportation . . . . .	962,530	1,031,485	919,624	111,861
Central. . . . .	109,138	106,202	104,289	1,913
Extracurricular activities. . . . .	523,230	525,045	489,036	36,009
Facilities acquisition and construction . . . . .	65,023	180,494	178,272	2,222
Total expenditures . . . . .	<u>22,729,496</u>	<u>22,848,055</u>	<u>21,598,611</u>	<u>1,249,444</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>(1,182,113)</u>	<u>(1,300,672)</u>	<u>26,441</u>	<u>1,327,113</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	1,192	1,192	4,378	3,186
Refund of prior year's receipts. . . . .	(2,000)	(2,000)	(2,000)	-
Transfers (out). . . . .	(168,195)	(100,824)	(51,487)	49,337
Advances in. . . . .	125,712	125,712	125,712	-
Advances (out) . . . . .	(214,405)	(198,667)	(198,667)	-
Sale of capital assets . . . . .	250	250	8,710	8,460
Total other financing sources (uses) . . . . .	<u>(257,446)</u>	<u>(174,337)</u>	<u>(113,354)</u>	<u>60,983</u>
Net change in fund balance . . . . .	(1,439,559)	(1,475,009)	(86,913)	1,388,096
<b>Fund balance at beginning of year . . . . .</b>	<b>5,776,904</b>	<b>5,776,904</b>	<b>5,776,904</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>327,483</b>	<b>327,483</b>	<b>327,483</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 4,664,828</b>	<b>\$ 4,629,378</b>	<b>\$ 6,017,474</b>	<b>\$ 1,388,096</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2010

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents. . . . .	\$ 93,292	\$ 75,203
Receivables:		
Taxes. . . . .	<u>-</u>	<u>682,213</u>
Total assets . . . . .	<u>93,292</u>	<u>\$ 757,416</u>
<b>Liabilities:</b>		
Intergovernmental payable . . . . .	-	\$ 682,213
Due to students . . . . .	<u>-</u>	<u>75,203</u>
Total liabilities . . . . .	<u>-</u>	<u>\$ 757,416</u>
<b>Net assets:</b>		
Held in trust for scholarships . . . . .	<u>93,292</u>	
Total net assets . . . . .	<u>\$ 93,292</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<b>Private Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 226
Gifts and contributions . . . . .	1,210
	1,436
Total additions . . . . .	1,436
<b>Deductions:</b>	
Scholarships awarded . . . . .	26,100
	(24,664)
Change in net assets . . . . .	(24,664)
<b>Net assets at beginning of year . . . . .</b>	<b>117,956</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 93,292</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**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 210<sup>th</sup> largest in the State of Ohio (among 905 public and community school districts) in terms of enrollment and the 2<sup>nd</sup> largest in Erie County. It currently operates 2 elementary schools, 1 middle school and 1 comprehensive high school. The District employs 147 non-certified employees and 108 certified (including 11 administrative) employees to provide services to approximately 2,315 students and various community groups.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units”. The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

*JOINTLY GOVERNED ORGANIZATIONS*

Bay Area Council of Governments

The Bay Area Council of Governments (BACG) is a jointly governed organization. Members of the BACG consist of 26 school districts representing 7 counties (Ottawa, Sandusky, Seneca, Erie, Huron, Wood, and Crawford). The BACG was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through the Council of Governments are natural gas and insurance. The only cost to the District is an administrative charge if it participates in purchasing through the BACG. The membership of BACG consists of the superintendent of each participating school district. The Board of Directors of the BACG consists of one elected representative of each county, the superintendent of the fiscal agent and two non-voting members (administrator and fiscal agent). During the fiscal year the District paid \$121,913 to the BACG. Members of the Board serve staggered two-year terms. Financial information can be obtained by contacting the North Point Educational Service Center, 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 \$58,055 for services. Financial information can be obtained from its fiscal agent, the North Point Educational Service Center, Betty Schwiefert, who serves as Controller, 2900 South Columbus Avenue, Sandusky, Ohio 44870.

**PERKINS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

*PUBLIC ENTITY RISK POOLS*

Workers' Compensation Group Rating Program

The District participates in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Program (GRP). The GRP is sponsored by OASBO and administered by CompManagement, Inc. 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 District pays a fee to the GRP to cover the costs of administering the program.

Huron-Erie School Employees Insurance Association

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

*RELATED ORGANIZATION*

Sandusky Public Library - The Library is a private not for profit organization of the State of Ohio governed by a Board of Trustees. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. The District in 2000 passed a continuing tax replacement on behalf of the Library. The District reports these monies in an agency fund.

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District has no proprietary funds.

*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.

**PERKINS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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) food service operations; (c) for the accumulation of resources for, and the repayment of, long-term debt principal, interest and related costs; and (d) grants and other resources whose use is restricted to a particular purpose.

*FIDUCIARY FUNDS*

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

**C. Basis of Presentation and Measurement Focus**

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

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

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

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

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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

**D. Basis of Accounting**

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6).

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2010 are recorded as deferred revenue on the governmental fund financial statements.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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

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

**E. Budgets**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The level of budgetary control is at the fund level for all funds. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Budgetary statements are presented beyond that legal level of control for informational purposes only. Any budgetary modifications at these levels may only be made by resolution of the Board of Education.

Tax Budget:

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

Estimated Resources:

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

**PERKINS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**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 the legal level of control. Any revisions that alter the fund level must be approved by the Board of Education.

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

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

Encumbrances:

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 14 provides a reconciliation of the budgetary and GAAP basis of accounting.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During fiscal year 2010, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal year 2010. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2010.

**PERKINS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2010 amounted to \$19,599, which includes \$3,180 assigned from other District funds.

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

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

**G. Inventory**

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

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

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

**H. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District has a capitalization threshold of \$5,000. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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

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

**I. Interfund Balances**

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

**J. Compensated Absences**

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

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

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

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

**K. Accrued Liabilities and Long-Term Obligations**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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

**L. Fund Balance Reserves**

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

**M. Net Assets**

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

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

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset on the fund financial statements.

**O. Estimates**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

**P. Interfund Activity**

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

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2010.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2010, the District has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the District.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the District.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the District.

**PERKINS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**B. Deficit Fund Balances**

Fund balances at June 30, 2010, included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
IDEA	\$232,533
Title I	72,961
IDEA preschool grant for the handicapped	7,180
Improving teacher quality	525

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

**PERKINS LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

**A. Cash on Hand**

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

**B. Cash with Fiscal Agent**

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

**C. Cash with Escrow Agent**

At fiscal year end, \$77,701 was on deposit in an escrow account with Citizens Bank related to the capital lease obligation entered into by the District during fiscal year 2008 (See Note 9.C.). The amount on deposit with the escrow agent has been excluded from the total amount of deposits reported below as it is not part of the District's internal investment pool. The June 30, 2010 balance of the escrow account is reported on the financial statements as "cash with escrow agent".

**PERKINS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**D. Deposits with Financial Institutions**

At June 30, 2010, the carrying amount of all District deposits was \$2,335,971. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2010, \$2,135,754 of the District’s bank balance of \$2,885,754 was exposed to custodial risk as discussed below, while \$750,000 was covered by the FDIC.

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

**E. Investments**

As of June 30, 2010, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
STAR Ohio	\$ 5,858,042	\$ 5,858,042

*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.

As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District’s investment policy limits investment portfolio maturities to five year or less.

*Credit Risk:* STAR Ohio was rated AAAM and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District’s investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

**PERKINS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Concentration of Credit Risk:* The District's investment policy addresses concentration of credit risk by encouraging diversification to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issue or a specific class of securities. The following table includes the percentage of each investment type held by the District at June 30, 2010:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 5,858,042	100.00

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2010:

<u>Cash and investments per note</u>		
Carrying amount of deposits	\$ 2,335,971	
Investments	5,858,042	
Cash with escrow agent	77,701	
Cash with fiscal agent	1,770	
Cash on hand	600	
Total	<u>\$ 8,274,084</u>	
 <u>Cash and investments per statement of net assets</u>		
Governmental activities	\$ 8,105,589	
Private-purpose trust funds	93,292	
Agency funds	75,203	
Total	<u>\$ 8,274,084</u>	

**NOTE 5 - INTERFUND TRANSACTIONS**

- A.** Interfund balances at June 30, 2010 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental fund	\$ 98,667

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, 2010 are reported on the statement of net assets.

**PERKINS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

- B.** Interfund transfers for the year ended June 30, 2010, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
<u>Transfers to nonmajor governmental funds from:</u>	
General fund	\$ 51,487
<u>Transfers to nonmajor governmental funds from:</u>	
Nonmajor governmental funds	<u>899,396</u>
Total	<u>\$ 950,883</u>

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

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

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

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

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**PERKINS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 6 - PROPERTY TAXES - (Continued)**

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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, 2010, are available to finance fiscal year 2010 operations. The amount available as an advance at June 30, 2010 was \$1,576,382 in the general fund and \$90,236 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2009 was \$1,631,303 in the general fund and \$91,013 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2010 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 437,323,890	97.28	\$ 441,857,620	97.41
Public utility personal	11,078,560	2.46	10,878,870	2.40
Tangible personal property	<u>1,128,820</u>	<u>0.26</u>	<u>848,260</u>	<u>0.19</u>
Total	<u>\$ 449,531,270</u>	<u>100.00</u>	<u>\$ 453,584,750</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$66.35		\$66.35	

**PERKINS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2010 consisted of taxes 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	\$ 14,399,725
Intergovernmental	<u>130,961</u>
Total	<u>\$ 14,530,686</u>

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

**NOTE 8 - CAPITAL ASSETS**

	Balance <u>July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2010</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 647,925	\$ -	\$ -	\$ 647,925
Construction in progress	<u>1,919,772</u>	<u>96,430</u>	<u>(1,919,772)</u>	<u>96,430</u>
Total capital assets, not being depreciated	<u>2,567,697</u>	<u>96,430</u>	<u>(1,919,772)</u>	<u>744,355</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,389,222	62,305	-	1,451,527
Building and improvements	12,989,869	2,048,744	-	15,038,613
Furniture and equipment	6,297,400	463,471	(456,073)	6,304,798
Vehicles	<u>1,755,717</u>	<u>108,099</u>	<u>(103,544)</u>	<u>1,760,272</u>
Total capital assets, being depreciated	<u>22,432,208</u>	<u>2,682,619</u>	<u>(559,617)</u>	<u>24,555,210</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(739,726)	(52,525)	-	(792,251)
Building and improvements	(9,978,673)	(239,961)	-	(10,218,634)
Furniture and equipment	(2,835,998)	(662,345)	396,383	(3,101,960)
Vehicles	<u>(1,353,751)</u>	<u>(67,409)</u>	<u>93,190</u>	<u>(1,327,970)</u>
Total accumulated depreciation	<u>(14,908,148)</u>	<u>(1,022,240)</u>	<u>489,573</u>	<u>(15,440,815)</u>
Depreciable capital assets, net	<u>7,524,060</u>	<u>1,660,379</u>	<u>(70,044)</u>	<u>9,114,395</u>
Governmental activities capital assets, net	<u>\$ 10,091,757</u>	<u>\$ 1,756,809</u>	<u>\$ (1,989,816)</u>	<u>\$ 9,858,750</u>

**PERKINS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 8 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 245,506
Special	15,398
Vocational	12,041
<u>Support services:</u>	
Pupil	95,800
Instructional staff	412,625
Board of education	214
Administration	38,264
Fiscal	1,571
Operations and maintenance	84,606
Pupil transportation	60,595
Extracurricular activities	28,122
Food service operations	<u>27,498</u>
Total depreciation expense	<u>\$ 1,022,240</u>

**NOTE 9 - LONG-TERM OBLIGATIONS**

A. During the fiscal year 2010, the following changes occurred in governmental activities long-term obligations.

	Balance Outstanding <u>06/30/09</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/10</u>	Amounts Due in <u>One Year</u>
<b>Governmental activities:</b>					
Capital lease obligation-Apple equipment	\$ 1,732,575	\$ -	\$ (547,178)	\$ 1,185,397	\$ 576,981
Land purchase note	60,000	-	(60,000)	-	-
Capital lease obligation-HB264 project	1,773,333	-	(126,667)	1,646,666	126,667
Compensated absences	<u>1,087,629</u>	<u>169,500</u>	<u>(206,416)</u>	<u>1,050,713</u>	<u>192,995</u>
Total governmental activities	<u>\$ 4,653,537</u>	<u>\$ 169,500</u>	<u>\$ (940,261)</u>	<u>\$ 3,882,776</u>	<u>\$ 896,643</u>

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

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

**PERKINS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

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

Capital lease payments are reflected as debt service expenditures in the debt service fund (a nonmajor governmental fund). Principal and interest payments in the 2010 fiscal year totaled \$126,667 and \$71,060, respectively.

Citizens Bank has been designated as trustee for the agreement.

The following is a schedule of the future long-term minimum lease payments required under the capital lease obligation and the present value of the minimum lease payments as of June 30, 2010.

Fiscal Year Ending June 30,	Total
2011	\$ 192,559
2012	187,391
2013	182,223
2014	177,055
2015	171,887
2016 - 2020	781,915
2021 - 2023	407,128
Total minimum lease payments	2,100,158
Less: amount representing interest	(453,492)
Present value of minimum lease payments	\$ 1,646,666

- D. *Capital Lease Obligation - Apple Equipment:* During fiscal year 2009, the District entered into capitalized leases for computers and equipment. All leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases" which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis. Capital assets acquired by lease have been originally capitalized in the amount of \$2,374,148, which represents the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2010 was \$479,927, leaving a current book value of \$1,894,221.

Principal payments in the 2010 fiscal year totaled \$547,178. This amount is reported as debt service payment of the debt service fund (a nonmajor governmental fund).

**PERKINS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

The following is a schedule of future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2010:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2011	\$ 641,572
2012	<u>641,572</u>
Total minimum lease payments	1,283,144
Less: amount representing interest	<u>(97,747)</u>
Present value of minimum lease payments	<u>\$ 1,185,397</u>

**E. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2010, are a voted debt margin of \$40,750,544, an unvoted debt margin of \$452,736, and a debt limitation of \$4,074,628 for energy conservation.

**NOTE 10 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

**PERKINS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 10 - OTHER EMPLOYEE BENEFITS**

**B. Insurance Benefits**

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

**NOTE 11 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2010, the District has contracted with various insurance carriers to provide insurance coverage in the following amounts:

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

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

**B. Huron-Erie School Employees Insurance Association**

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

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

**PERKINS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - RISK MANAGEMENT - (Continued)**

**C. Workers' Compensation**

For fiscal year 2010, the District participated in the OASBO Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. 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 tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. 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 their tiered group. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

**NOTE 12 - PENSION PLANS**

**A. School Employees Retirement System**

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.74 percent and .04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$373,748, \$255,187 and \$258,626, respectively; 45.13 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**B. State Teachers Retirement System of Ohio**

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

**PERKINS LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - PENSION PLANS - (Continued)**

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

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

Funding Policy - For fiscal year 2010, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$1,383,881, \$1,291,448 and \$1,214,277, respectively; 85.29 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$48,060 made by the District and \$34,329 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2010, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**PERKINS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2010, 0.46 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009, and 2008 were \$69,051, \$172,961 and \$172,784, respectively; 45.13 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$22,226, \$21,055 and \$18,635, respectively; 45.13 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)**

**B. State Teachers Retirement System of Ohio**

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$106,452, \$99,342 and \$93,406, respectively; 85.29 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

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

The statement of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Advances-in advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**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:

<b>Net Change in Fund Balance</b>	<u>General fund</u>
Budget basis	\$ (86,913)
Net adjustment for revenue accruals	(65,697)
Net adjustment for expenditure accruals	(121,205)
Net adjustment for other sources/uses	61,867
Adjustment for encumbrances	<u>310,045</u>
GAAP basis	<u>\$ 98,097</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 involved in no material litigation as either plaintiff or defendant.

**NOTE 16 - STATUTORY RESERVES**

The District is required by State statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward to be used for the same purposes in future years. During the fiscal year ended June 30, 2010, the reserve activity was as follows:

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>
Set-aside balance as of June 30, 2009	\$ (1,001,969)	\$ -
Current year set-aside requirement	370,925	370,925
Current year offsets	-	(1,469,761)
Qualifying disbursements	<u>(185,499)</u>	<u>(86,623)</u>
Total	<u>\$ (816,543)</u>	<u>\$ (1,185,459)</u>
Balance carried forward to fiscal year 2011	<u>\$ (816,543)</u>	<u>\$ -</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 16 - STATUTORY RESERVES - (Continued)**

The District had offsets and qualifying disbursements during the fiscal year that reduced the set-aside amounts below zero for the textbooks/instructional materials reserve. This extra amount is being carried forward and may be used to offset set-aside requirements in future years.

Although the District had offsets and qualifying disbursements during the fiscal 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 \$62,500, represent the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the District is \$30,792 and is reflected as held in trust for scholarships. State law permits the District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide scholarships each year.

## **SUPPLEMENTARY DATA**

**PERKINS LOCAL SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(D) PASS-THROUGH GRANT NUMBER	(C) CASH FEDERAL RECEIPTS	(C) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
(B) National School Lunch Program	10.555	2010	\$ 279,682	\$ 279,682
(A) National School Lunch Program / Food Donation	10.555	2010	47,340	47,340
<b>Total National School Lunch Program</b>			<u>327,022</u>	<u>327,022</u>
<b>Total U.S. Department of Agriculture</b>			<u>327,022</u>	<u>327,022</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
<b>Title I Grant Cluster:</b>				
(E) Title I Grants to Local Educational Agencies	84.010	2008	-	3,847
(E) Title I Grants to Local Educational Agencies	84.010	2009	42,190	30,004
(E) Title I Grants to Local Educational Agencies	84.010	2010	117,644	141,531
<b>Total Title I Grants to Local Educational Agencies</b>			<u>159,834</u>	<u>175,382</u>
(E) ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2010	84,604	84,549
<b>Total Title I Grant Cluster</b>			<u>244,438</u>	<u>259,931</u>
<b>Special Education Grant Cluster:</b>				
(F) Special Education_Grants to States	84.027	2010	433,936	433,936
(F) Special Education_Preschool Grants	84.173	2010	11,514	11,514
(F) ARRA - Special Education Grants to States, Recovery Act	84.391	2010	360,685	419,982
(F) ARRA - Special Education_Preschool Grants, Recovery Act	84.392	2010	14,360	14,360
<b>Total Special Education Grant Cluster</b>			<u>820,495</u>	<u>879,792</u>
Safe and Drug-Free Schools and Communities_State Grants	84.186	2009	610	-
Safe and Drug-Free Schools and Communities_State Grants	84.186	2010	5,066	5,066
<b>Total Safe and Drug-Free Schools and Communities_State Grants</b>			<u>5,676</u>	<u>5,066</u>
(G) State Grants for Innovative Programs	84.298	2009	1,950	608
Education Technology State Grants	84.318	2010	1,480	1,480
Improving Teacher Quality State Grants	84.367	2009	3,429	11,005
Improving Teacher Quality State Grants	84.367	2010	43,606	59,090
<b>Total Improving Teacher Quality State Grants</b>			<u>47,035</u>	<u>70,095</u>
AARA - State Fiscal Stabilization Fuund (SFSF), Education State Grants, Recovery Act	84.394	2010	253,704	231,871
<b>Total U.S. Department of Education</b>			<u>1,374,778</u>	<u>1,448,843</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 1,701,800</u>	<u>\$ 1,775,865</u>

- (A) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at the entitlement value.  
 (B) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first in, first out basis.  
 (C) This schedule was prepared on the cash basis of accounting.  
 (D) OAKS did not assign pass-through number for fiscal year 2010.  
 (E) Included as part of the "Title I Grant Cluster" in determining major programs.  
 (F) Included as part of the "Special Education Grant Cluster" in determining major programs.  
 (G) \$1,122 was repaid to the Ohio Department of Education based on the expiration of period of availability.



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Perkins Local School District, Erie County, Ohio, as of and for the fiscal year ended June 30, 2010, which collectively comprise Perkins Local School District's basic financial statements and have issued our report thereon dated December 3, 2010. 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 Perkins Local School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Perkins Local School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Perkins Local School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Perkins Local School District's financial statements will not be prevented, or detected and timely corrected.

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

Board of Education  
Perkins Local School District

Compliance and Other Matters

As part of reasonably assuring whether the Perkins Local School 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 have 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the management and Board of Education of the Perkins Local School District, federal awarding agencies and pass-through entities, and others within the Perkins Local School District. We intend it for no one other than these specified parties.

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

Julian & Grube, Inc.  
December 3, 2010



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Perkins Local School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that apply to each of its major federal programs for the fiscal year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the Perkins Local School District's major federal programs. The Perkins Local School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs. Our responsibility is to express an opinion on the Perkins Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; 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 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 Perkins Local School 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 Perkins Local School 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 each of its major federal programs for the fiscal year ended June 30, 2010.

Internal Control Over Compliance

The Perkins Local School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Perkins Local School District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of Perkins Local School District's internal control over compliance.

Board of Education  
Perkins Local School District

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of the management and Board of Education of the Perkins Local School District, federal awarding agencies and pass-through entities, and others within the Perkins Local School District. We intend it for no one other than these specified parties.

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

Julian & Grube, Inc.  
December 3, 2010

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2010**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	National School Lunch Program (CFDA #10.555); Special Education Grant Cluster: - Special Education - Grants to States (CFDA #84.027), ARRA - Special Education - Grants to States, Recovery Act (CFDA #84.391), Special Education_Preschool Grants (CFDA #84.173), ARRA - Special Education_Preschool Grants, Recovery Act (CFDA #84.392)
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes
<b>2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>		

None

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
--

None



# Dave Yost • Auditor of State

PERKINS LOCAL SCHOOL DISTRICT

ERIE COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
FEBRUARY 3, 2011