

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

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

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

LISA M. CRESCIMANO, TREASURER



Dave Yost • Auditor of State

Board of Education
Perkins Local School District
3714 Campbell Street, Suite B
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, 2013 through June 30, 2014. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 5, 2015

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

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

Perkins Local School District
Erie County
3714 Campbell Street, Suite B
Sandusky, Ohio 44870

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each 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, 2014, and the related notes to the financial statements, which collectively comprise the Perkins Local School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Perkins Local School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Perkins Local School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Perkins Local School District, Erie County, Ohio, as of June 30, 2014, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the Perkins Local School District's basic financial statements taken as a whole.

The Schedule of Receipts and Expenditures of Federal Awards (the "Schedule") presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Perkins Local School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.
December 19, 2014

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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, 2014. 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 2014 are as follows:

- In total, net position of governmental activities increased \$624,335 which represents a 5.23% increase from 2014.
- General revenues accounted for \$18,590,535 in revenue or 74.40% of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$6,395,422 or 25.60% of total revenues of \$24,985,957.
- The District had \$24,361,622 in expenses related to governmental activities; only \$6,395,422 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 \$18,590,535 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and the permanent improvement fund. The general fund had \$21,331,400 in revenues, other financing sources and special items and \$21,351,555 in expenditures. During fiscal year 2014, the general fund's fund deficit increased \$22,251 from a deficit of \$772,830 to a deficit of \$795,081.
- The permanent improvement fund had \$2,107,596 in revenues and \$2,722,098 in expenditures and other financing uses. During fiscal year 2014, the permanent improvement fund's fund balance decreased \$614,502 from \$1,105,379 to \$490,877.

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 position 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. The general fund and the permanent improvement fund are by far the District's most significant funds and the only governmental funds reported as major funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Reporting the District as a Whole

Statement of Net Position 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 the District do financially during fiscal year 2014?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, 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 position and changes in net position. This change in net position 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 position 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 position and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

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 and for the Sandusky Public Library. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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 23-53 of this report.

The District as a Whole

The table below provides a summary of the District's net position at June 30, 2014 and June 30, 2013.

	Net Position	
	Governmental Activities 2014	Governmental Activities 2013
<u>Assets</u>		
Current and other assets	\$ 17,397,179	\$ 17,971,105
Capital assets, net	<u>14,280,615</u>	<u>14,564,435</u>
Total assets	<u>31,677,794</u>	<u>32,535,540</u>
<u>Liabilities</u>		
Current liabilities	2,807,146	3,352,079
Long-term liabilities	<u>5,374,118</u>	<u>6,894,961</u>
Total liabilities	<u>8,181,264</u>	<u>10,247,040</u>
<u>Deferred inflows of resources</u>		
Deferred inflows of resources	<u>10,929,878</u>	<u>10,346,183</u>
<u>Net Position</u>		
Net investment in capital assets	10,147,278	11,047,564
Restricted	1,861,533	1,494,154
Unrestricted (deficit)	<u>557,841</u>	<u>(599,401)</u>
Total net position	<u>\$ 12,566,652</u>	<u>\$ 11,942,317</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's assets exceeded liabilities and deferred inflows of resources by \$12,566,652.

Assets of the District decreased \$857,746 or 2.64%. Current and other assets decreased primarily due to a decrease in cash and cash equivalents. This was due to the spending down of cash reserves related to permanent improvements. Capital assets decreased due to current year depreciation expense exceeding capital asset additions. At fiscal year-end, capital assets represented 45.08% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. Net investment in capital assets at June 30, 2014, was \$10,147,278. 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.

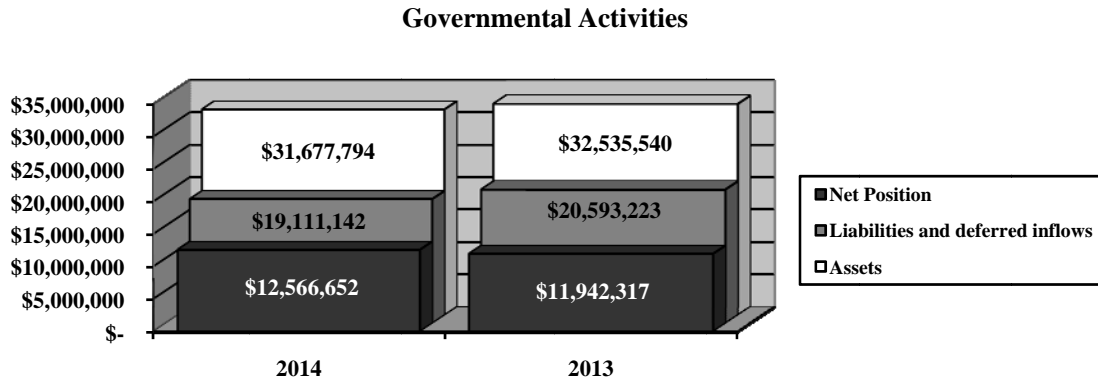
Liabilities of District decreased \$2,065,776 or 20.16%. Current liabilities decrease as a result of lower contracts payable, pension obligations payable and intergovernmental payables at June 30, 2014. Long-term liabilities decreased due to about \$1.4 million in principal payments made on capital leases and lease purchase agreements.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

A portion of the District's net position, \$1,861,533, represents resources that are subject to external restriction on how they may be used. The remaining is an unrestricted balance of \$557,841.

The graph below presents the District's governmental assets, liabilities, deferred inflows and net position at June 30, 2014 and June 30, 2013.



The table below shows the change in net position for fiscal years 2014 and 2013.

	Change in Net Position	
	Governmental Activities 2014	Governmental Activities 2013
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 4,589,790	\$ 4,590,207
Operating grants and contributions	1,733,852	1,478,531
Capital grants and contributions	71,780	242,801
General revenues:		
Property taxes	11,215,312	12,302,087
Grants and entitlements	6,945,537	6,829,493
Payment in lieu of taxes	356,446	313,302
Investment earnings	3,621	7,236
Other	69,619	79,078
Total revenues	24,985,957	25,842,735

(Continued)

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Change in Net Position (Continued)

	<u>Governmental Activities 2014</u>	<u>Governmental Activities 2013</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 9,824,140	\$ 11,366,893
Special	3,790,625	3,336,176
Vocational	171,424	171,230
Other	995,578	834,802
Support services:		
Pupil	1,566,604	1,805,724
Instructional staff	572,060	1,781,302
Board of education	159,501	8,458
Administration	1,659,848	1,822,016
Fiscal	448,598	540,660
Business	1,815	1,781
Operations and maintenance	2,361,586	1,617,914
Pupil transportation	883,486	1,074,565
Central	193,896	178,090
Operations of non-instructional services:		
Other non-instructional services	60,684	60,759
Food service operations	753,832	900,179
Extracurricular activities	779,991	872,877
Interest and fiscal charges	<u>137,954</u>	<u>118,861</u>
Total expenses	<u>24,361,622</u>	<u>26,492,287</u>
Special item		
Settlement of contract	<u>-</u>	<u>122,438</u>
Change in net position	624,335	(527,114)
Net position at beginning of year	<u>11,942,317</u>	<u>12,469,431</u>
Net position at end of year	<u>\$ 12,566,652</u>	<u>\$ 11,942,317</u>

Governmental Activities

Net position of the District's governmental activities increased \$624,335. Total governmental expenses of \$24,361,622 were offset by program revenues of \$6,395,422 and general revenues of \$18,590,535. Program revenues supported 26.25% 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 72.68% of total governmental revenue. Overall revenues of the District decreased \$856,778 or 3.32%. The most significant decrease was in the area of property taxes which decreased \$1,086,775. Property tax revenues decreased due to fluctuations in the amount of tax collected and available for advance at fiscal year-end by the Erie County Auditor. Tax advances available are recorded as revenue under GAAP. The amount of tax advances available at June 30, 2014, 2013 and 2012 was \$1,375,414, \$2,018,484 and \$1,802,971 respectively. The amount of tax advance available at year-end can vary depending upon when the county auditor distributes tax bills.

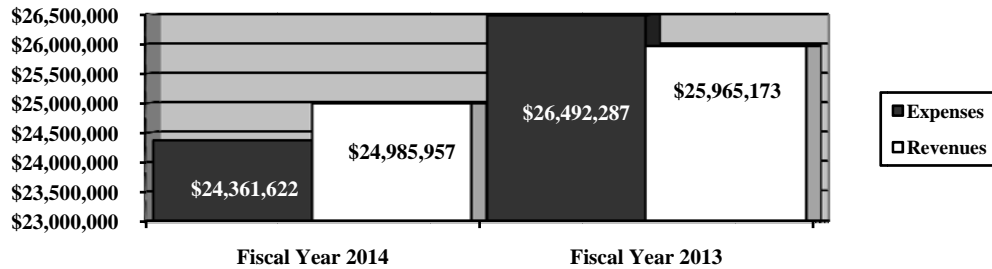
**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The largest expense of the District is for instructional programs. Instruction expenses totaled \$14,781,767 or 60.68% of total governmental expenses for fiscal year 2014. Overall expenses of the District decreased \$2,130,665 or 8.04%. This decrease is the result of cuts made by the District in general operations related to recent tax levies voted down by residents.

The graph below presents the District's governmental revenues and expenses for fiscal years 2014 and 2013.

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 taxes and unrestricted grants and entitlements.

Governmental Activities

	Total Cost of Services 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
Program expenses				
Instruction:				
Regular	\$ 9,824,140	\$ 6,484,717	\$ 11,366,893	\$ 8,214,173
Special	3,790,625	2,340,317	3,336,176	2,182,055
Vocational	171,424	170,007	171,230	170,249
Other	995,578	995,578	834,802	834,802
Support services:				
Pupil	1,566,604	1,566,604	1,805,724	1,782,857
Instructional staff	572,060	561,134	1,781,302	1,605,031
Board of education	159,501	159,501	8,458	8,447
Administration	1,659,848	1,524,674	1,822,016	1,648,404
Fiscal	448,598	448,598	540,660	533,847
Business	1,815	1,815	1,781	1,781
Operations and maintenance	2,361,586	2,311,443	1,617,914	1,569,609
Pupil transportation	883,486	843,024	1,074,565	985,304
Central	193,896	186,696	178,090	149,123
Operations of non-instructional services:				
Other non-instructional services	60,684	(11,933)	60,759	1,909
Food service operations	753,832	(83,135)	900,179	(269,092)
Extracurricular activities	779,991	329,206	872,877	643,388
Interest and fiscal charges	137,954	137,954	118,861	118,861
Total expenses	<u>\$ 24,361,622</u>	<u>\$ 17,966,200</u>	<u>\$ 26,492,287</u>	<u>\$ 20,180,748</u>

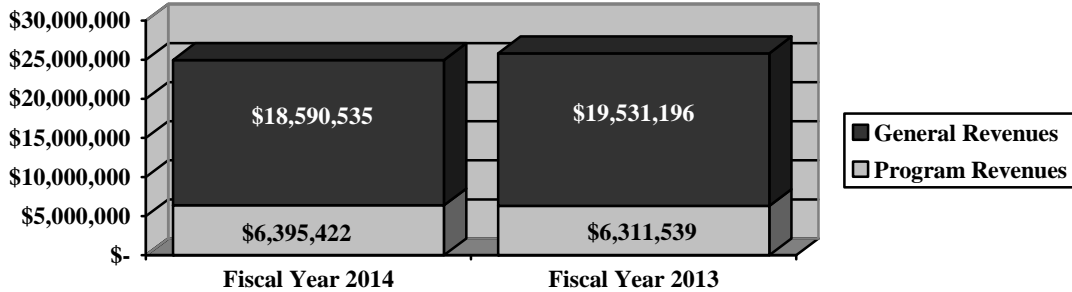
**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

The dependence upon tax and other general revenues for governmental activities is apparent, 67.59% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 73.75%. 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 2014 and 2013.

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 \$741,186, which is lower than last year's balance of \$1,222,020. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and June 30, 2013.

	Fund Balance (Deficit) <u>June 30, 2014</u>	Fund Balance (Deficit) <u>June 30, 2013</u>	<u>Change</u>
General	\$ (795,081)	\$ (772,830)	\$ (22,251)
Permanent improvement	490,877	1,105,379	(614,502)
Other governmental	<u>1,045,390</u>	<u>889,471</u>	<u>155,919</u>
Total	<u>\$ 741,186</u>	<u>\$ 1,222,020</u>	<u>\$ (480,834)</u>

General Fund

The District's general fund deficit increased \$22,251 during fiscal year 2014. Revenues of the general fund increased \$1,127,459 or 5.62%. Property taxes stayed relatively consistent with last year due to moving some inside millage back to the general fund from the permanent improvement fund. The most significant increases were in the areas of intergovernmental and other revenues. Intergovernmental revenues increased due to increased State Foundation funding. Other revenues increased due to payment in lieu of taxes from the Kalahari Resort being moved to the general fund from the permanent improvement fund.

Expenditures of the general fund decreased \$2,361,163 or 9.96%. This decrease was due to cost cutting measures by the District to lower the effect of property tax levies voted down by residents. These measures included eliminating positions which decreased salaries and benefits.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2014 Amount	2013 Amount	Change	Percentage Change
<u>Revenues</u>				
Taxes	\$ 9,683,486	\$ 9,637,665	\$ 45,821	0.48 %
Tuition	3,563,517	3,537,215	26,302	0.74 %
Earnings on investments	3,621	7,236	(3,615)	(49.96) %
Intergovernmental	7,038,118	6,422,959	615,159	9.58 %
Other revenues	<u>913,156</u>	<u>469,364</u>	<u>443,792</u>	94.55 %
Total	<u>\$ 21,201,898</u>	<u>\$ 20,074,439</u>	<u>\$ 1,127,459</u>	5.62 %
<u>Expenditures</u>				
Instruction	\$ 13,966,792	\$ 14,868,278	\$ (901,486)	(6.06) %
Support services	6,827,032	8,266,209	(1,439,177)	(17.41) %
Operation of non-instructional services	57,500	56,004	1,496	2.67 %
Extracurricular activities	<u>500,231</u>	<u>522,227</u>	<u>(21,996)</u>	(4.21) %
Total	<u>\$ 21,351,555</u>	<u>\$ 23,712,718</u>	<u>\$ (2,361,163)</u>	(9.96) %

Permanent Improvement Fund

The permanent improvement fund had \$2,107,596 in revenues and \$2,722,098 in expenditures and other financing uses. During fiscal year 2014, the permanent improvement fund's fund balance decreased \$614,502 from \$1,105,379 to \$490,877. The decrease in fund balance was mainly the result of transfers out to the debt service fund (a nonmajor governmental fund) for the purpose of paying down capital leases and a lease purchase agreement.

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 2014, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$20,968,227, while final budgeted revenues and other financing sources were \$21,605,268. Actual revenues and other financing sources for fiscal year 2014 were \$21,484,290. This represents a \$120,978 decrease from final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$21,409,910 were increased to \$22,034,750 in the final budget. Actual budgetary basis expenditures and other financing uses for fiscal year 2014 totaled \$21,519,370, \$515,380 lower than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the District had \$14,280,615 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. This entire amount is reported in governmental activities.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

The table that follows shows June 30, 2014 balances compared to June 30, 2013:

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

	Governmental Activities	
	2014	2013
Land	\$ 647,925	\$ 647,925
Construction in progress	2,247,977	2,247,977
Land improvements	713,819	765,476
Buildings and improvements	8,712,678	9,076,794
Furniture and equipment	1,342,464	1,374,633
Vehicles	615,752	451,630
Total	\$ 14,280,615	\$ 14,564,435

The overall decrease in capital assets of \$283,820 is due to depreciation expense of \$662,964 and disposals of \$3,307 (net of accumulated depreciation) exceeding additions of \$382,451 in the current period.

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

Debt Administration

At June 30, 2014, the District had \$4,133,337 in capital lease obligations outstanding. Of this total, \$1,310,256 is due within one year and \$2,823,081 is due in greater than one year. The following table summarizes the capital lease obligations outstanding at June 30, 2014 and June 30, 2013.

Outstanding Debt at June 30

	Governmental Activities	Governmental Activities
	2014	2013
Lease-Purchase Agreement	\$ 2,498,860	\$ 3,168,883
Capital lease obligation - Apple Equipment	494,479	1,077,868
Capital lease obligation - H.B. 264 Project	1,139,998	1,266,665
Total	\$ 4,133,337	\$ 5,513,416

The capital lease obligation for the HB264 project is scheduled to mature in fiscal year 2023. The capital lease obligation for Apple equipment is scheduled to mature in fiscal year 2015. The District issued a new lease purchase agreement during fiscal year 2013 scheduled to mature in fiscal year 2018. Payment of principal and interest for the District's capital leases are made from the debt service fund.

See Note 10 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activity

The challenges facing the District are linked to the economy. This is a difficult time for the community due to the poor economic conditions. Property valuations have decreased for the current tax year and are expected to show very little growth in the next several years. This has resulted in very little growth in revenue for the District. The District is addressing its deficit spending by making a number of significant reductions in expenditures. The District requested additional local funding at the ballot in May, August and November 2013, all of which were voted down.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

In spite of the harsh economic times, it is the obligation of the Board of Education and the staff of the school to provide the best possible education to the students of Perkins Schools. Therefore, the District will continue to integrate the use of technology into the students' daily education. The continued success of the District will be dependent on the support of the community.

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

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Lisa Crescimano, Treasurer and Chief Financial Officer, Perkins Local School District, 3714 Campbell Street, Suite B, Sandusky, Ohio 44870.

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

STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents.	\$ 1,887,019
Cash with fiscal agent	1,772
Receivables:	
Property taxes	14,675,700
Payment in lieu of taxes	289,754
Accounts.	6,767
Intergovernmental	407,174
Materials and supplies inventory.	128,993
Capital assets:	
Nondepreciable capital assets	2,895,902
Depreciable capital assets, net.	<u>11,384,713</u>
Capital assets, net.	<u>14,280,615</u>
Total assets.	<u><u>31,677,794</u></u>
Liabilities:	
Accounts payable.	152,980
Accrued wages and benefits payable	2,207,440
Pension obligation payable.	343,411
Intergovernmental payable	84,997
Accrued interest payable	16,546
Matured bonds payable	1,772
Long-term liabilities:	
Due within one year.	1,518,598
Due in more than one year.	<u>3,855,520</u>
Total liabilities	<u><u>8,181,264</u></u>
Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	10,640,124
Payment in lieu of taxes levied for next fiscal year	<u>289,754</u>
Total deferred inflows of resources	<u><u>10,929,878</u></u>
Net position:	
Net investment in capital assets	10,147,278
Restricted for:	
Capital projects	814,851
State funded programs.	17,445
Federally funded programs	23,298
Student activities	409,079
Food service operations.	596,860
Unrestricted	<u>557,841</u>
Total net position.	<u><u>\$ 12,566,652</u></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, 2014

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Instruction:					
Regular	\$ 9,824,140	\$ 3,171,041	\$ 168,382	\$ -	\$ (6,484,717)
Special	3,790,625	524,989	925,319	-	(2,340,317)
Vocational	171,424	-	1,417	-	(170,007)
Other	995,578	-	-	-	(995,578)
Support services:					
Pupil	1,566,604	-	-	-	(1,566,604)
Instructional staff	572,060	-	10,926	-	(561,134)
Board of education	159,501	-	-	-	(159,501)
Administration	1,659,848	25,534	109,640	-	(1,524,674)
Fiscal	448,598	-	-	-	(448,598)
Business	1,815	-	-	-	(1,815)
Operations and maintenance	2,361,586	44,151	5,992	-	(2,311,443)
Pupil transportation	883,486	297	40,165	-	(843,024)
Central	193,896	-	7,200	-	(186,696)
Operation of non-instructional services:					
Other non-instructional services	60,684	500	72,117	-	11,933
Food service operations	753,832	454,144	382,823	-	83,135
Extracurricular activities	779,991	369,134	9,871	71,780	(329,206)
Interest and fiscal charges	137,954	-	-	-	(137,954)
Total governmental activities	\$ 24,361,622	\$ 4,589,790	\$ 1,733,852	\$ 71,780	(17,966,200)
General revenues:					
Property taxes levied for:					
General purposes					9,643,303
Capital outlay					1,572,009
Payments in lieu of taxes					356,446
Grants and entitlements not restricted to specific programs					6,945,537
Investment earnings					3,621
Miscellaneous					69,619
Total general revenues					18,590,535
Change in net position					624,335
Net position at beginning of year					11,942,317
Net position at end of year					\$ 12,566,652

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>General</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents.	\$ 501,428	\$ 352,206	\$ 1,033,385	\$ 1,887,019
Cash with fiscal agent	-	-	1,772	1,772
Receivables:				
Property taxes.	12,964,718	1,710,982	-	14,675,700
Payment in lieu of taxes	289,754	-	-	289,754
Accounts	6,767	-	-	6,767
Interfund loans	5,904	-	-	5,904
Intergovernmental.	197,237	8,912	201,025	407,174
Materials and supplies inventory.	80,498	-	48,495	128,993
Due from other funds	60,948	-	-	60,948
Total assets	<u>\$ 14,107,254</u>	<u>\$ 2,072,100</u>	<u>\$ 1,284,677</u>	<u>\$ 17,464,031</u>
Liabilities:				
Accounts payable	\$ 120,640	\$ 30,374	\$ 1,966	\$ 152,980
Accrued wages and benefits payable	2,103,309	-	104,131	2,207,440
Compensated absences payable	168,912	-	-	168,912
Interfund loans payable.	-	-	5,904	5,904
Intergovernmental payable	82,272	-	2,725	84,997
Pension obligation payable	309,656	-	33,755	343,411
Due to other funds	-	-	60,948	60,948
Matured bonds payable.	-	-	1,772	1,772
Total liabilities.	<u>2,784,789</u>	<u>30,374</u>	<u>211,201</u>	<u>3,026,364</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year.	9,413,249	1,226,875	-	10,640,124
Delinquent property tax revenue not available.	2,345,100	315,062	-	2,660,162
Other nonexchange transactions not available.	-	-	28,086	28,086
Miscellaneous revenue not available.	69,443	8,912	-	78,355
Payment in lieu of taxes levied for next fiscal year	289,754	-	-	289,754
Total deferred inflows of resources	<u>12,117,546</u>	<u>1,550,849</u>	<u>28,086</u>	<u>13,696,481</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory.	80,498	-	48,495	128,993
Restricted:				
Debt service	-	-	288	288
Capital improvements	-	490,877	-	490,877
Food service operations	-	-	579,458	579,458
Targeted academic assistance	-	-	13,637	13,637
Other purposes.	-	-	17,445	17,445
Extracurricular	-	-	409,079	409,079
Assigned:				
Unassigned (deficit)	(875,579)	-	(23,012)	(898,591)
Total fund balances (deficit)	<u>(795,081)</u>	<u>490,877</u>	<u>1,045,390</u>	<u>741,186</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 14,107,254</u>	<u>\$ 2,072,100</u>	<u>\$ 1,284,677</u>	<u>\$ 17,464,031</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2014

Total governmental fund balances		\$	741,186
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			14,280,615
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	2,660,162	
Accounts receivable		6,180	
Intergovernmental receivable		100,261	
Total		100,261	2,766,603
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(16,546)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Capital lease obligations		(1,634,477)	
Compensated absences		(1,071,869)	
Lease purchase agreement		(2,498,860)	
Total		(5,205,206)	(5,205,206)
Net position of governmental activities		\$	12,566,652

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, 2014

	<u>General</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 9,683,486	\$ 1,661,090	\$ -	\$ 11,344,576
Payment in lieu of taxes	356,446	-	-	356,446
Tuition	3,563,517	-	-	3,563,517
Transportation fees	297	-	-	297
Earnings on investments	3,621	-	1,059	4,680
Charges for services	-	-	461,252	461,252
Extracurricular	225,378	-	171,753	397,131
Classroom materials and fees	127,634	-	-	127,634
Rental income	39,006	-	-	39,006
Contributions and donations	94,474	71,780	9,871	176,125
Contract services	2,916	-	-	2,916
Other local revenues	67,005	-	-	67,005
Intergovernmental - state	6,967,150	374,726	8,056	7,349,932
Intergovernmental - federal	70,968	-	1,128,314	1,199,282
Total revenues	<u>21,201,898</u>	<u>2,107,596</u>	<u>1,780,305</u>	<u>25,089,799</u>
Expenditures:				
Current:				
Instruction:				
Regular	9,472,317	151,623	182,685	9,806,625
Special	3,327,366	3,075	434,883	3,765,324
Vocational	171,531	-	-	171,531
Other	995,578	-	-	995,578
Support services:				
Pupil	1,538,780	1,524	-	1,540,304
Instructional staff	486,497	34,052	8,916	529,465
Board of education	159,501	-	-	159,501
Administration	1,544,563	376	102,898	1,647,837
Fiscal	462,483	43,220	-	505,703
Business	1,815	-	-	1,815
Operations and maintenance	1,676,856	-	11,726	1,688,582
Pupil transportation	787,497	257,525	-	1,045,022
Central	169,040	-	7,200	176,240
Operation of non-instructional services:				
Other non-instructional services	57,500	-	3,184	60,684
Food service operations	-	-	749,161	749,161
Extracurricular activities	500,231	-	136,878	637,109
Facilities acquisition and construction	-	701,022	-	701,022
Debt service:				
Principal retirement	-	-	1,380,079	1,380,079
Interest and fiscal charges	-	-	149,314	149,314
Total expenditures	<u>21,351,555</u>	<u>1,192,417</u>	<u>3,166,924</u>	<u>25,710,896</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(149,657)</u>	<u>915,179</u>	<u>(1,386,619)</u>	<u>(621,097)</u>
Other financing sources (uses):				
Sale of capital assets	7,064	-	-	7,064
Transfers in	-	-	1,529,681	1,529,681
Transfers (out)	-	(1,529,681)	-	(1,529,681)
Total other financing sources (uses)	<u>7,064</u>	<u>(1,529,681)</u>	<u>1,529,681</u>	<u>7,064</u>
Special item:				
Settlement	122,438	-	-	122,438
Net change in fund balances	(20,155)	(614,502)	143,062	(491,595)
Fund balances (deficit) at beginning of year	(772,830)	1,105,379	889,471	1,222,020
Increase (decrease) in reserve for inventory	(2,096)	-	12,857	10,761
Fund balances (deficit) at end of year	<u>\$ (795,081)</u>	<u>\$ 490,877</u>	<u>\$ 1,045,390</u>	<u>\$ 741,186</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Net change in fund balances - total governmental funds	\$	(491,595)
<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 cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 382,451	
Current year depreciation	(662,964)	
Total		(280,513)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(3,307)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		10,761
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(129,264)	
Rental income	(2,020)	
Intergovernmental	85,193	
Special item	(122,438)	
Total		(168,529)
Repayment of lease purchase agreement and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Lease purchase agreement	670,023	
Capital leases	710,056	
Total		1,380,079
In the statement of activities, interest is accrued on outstanding lease purchase agreements and capital lease obligations, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in less interest being reported in the statement of activities:		
		11,360
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.		
		166,079
Change in net position of governmental activities	\$	624,335

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, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 9,960,817	\$ 10,266,610	\$ 10,032,376	\$ (234,234)
Payment in lieu of taxes.	346,540	358,315	356,446	(1,869)
Tuition.	3,452,751	3,558,748	3,563,517	4,769
Transportation fees.	293	302	297	(5)
Earnings on investments	3,424	3,529	3,621	92
Extracurricular.	218,623	225,335	197,131	(28,204)
Classroom materials and fees	105,206	108,435	128,632	20,197
Rental income	27,390	28,230	39,452	11,222
Contributions and donations	15,651	16,132	29,115	12,983
Contract services.	1,956	2,016	2,916	900
Other local revenues	40,106	41,337	40,504	(833)
Intergovernmental - intermediate	1,700	615	-	(615)
Intergovernmental - state	6,544,236	6,745,139	6,833,119	87,980
Intergovernmental - federal	32,281	33,272	43,823	10,551
Total revenues	<u>20,750,974</u>	<u>21,388,015</u>	<u>21,270,949</u>	<u>(117,066)</u>
Expenditures:				
Current:				
Instruction:				
Regular	9,633,778	9,869,351	9,704,742	164,609
Special.	3,272,829	3,365,825	3,321,595	44,230
Vocational.	168,377	172,456	167,850	4,606
Other.	951,083	974,125	957,726	16,399
Support services:				
Pupil.	1,522,284	1,561,391	1,533,866	27,525
Instructional staff	545,472	560,368	518,855	41,513
Board of education	156,567	160,360	159,590	770
Administration.	1,479,925	1,517,841	1,492,794	25,047
Fiscal	466,586	478,393	469,509	8,884
Business	1,641	1,861	1,815	46
Operations and maintenance.	1,743,033	1,828,361	1,692,950	135,411
Pupil transportation	832,371	871,082	829,466	41,616
Central.	142,481	168,040	167,233	807
Extracurricular activities.	487,579	499,392	495,475	3,917
Total expenditures	<u>21,404,006</u>	<u>22,028,846</u>	<u>21,513,466</u>	<u>515,380</u>
Excess of expenditures over revenues	<u>(653,032)</u>	<u>(640,831)</u>	<u>(242,517)</u>	<u>398,314</u>
Other financing sources (uses):				
Refund of prior year's expenditures	54,015	54,015	47,152	(6,863)
Advances in.	36,700	36,700	36,687	(13)
Advances (out)	(5,904)	(5,904)	(5,904)	-
Sale of capital assets	4,100	4,100	7,064	2,964
Total other financing sources (uses)	<u>88,911</u>	<u>88,911</u>	<u>84,999</u>	<u>(3,912)</u>
Special item - settlement	<u>122,438</u>	<u>122,438</u>	<u>122,438</u>	<u>-</u>
Net change in fund balance	(441,683)	(429,482)	(35,080)	394,402
Fund balance at beginning of year	335,916	335,916	335,916	-
Prior year encumbrances appropriated	105,767	105,767	105,767	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ 12,201</u>	<u>\$ 406,603</u>	<u>\$ 394,402</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 91,273	\$ 122,900
Receivables:		
Property taxes	-	650,073
Total assets.	91,273	\$ 772,973
Liabilities:		
Intergovernmental payable	-	\$ 707,781
Due to students.	-	65,192
Total liabilities	-	\$ 772,973
Net position:		
Held in trust for scholarships	91,273	
Total net position.	\$ 91,273	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 20
Gifts and contributions	11,135
Total additions	11,155
 Deductions:	
Scholarships awarded	8,700
Change in net position	2,455
Net position at beginning of year	88,818
Net position at end of year	\$ 91,273

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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 operates 2 elementary schools, 1 middle school and 1 comprehensive high school. The District employs 124 non-certified employees and 165 certified (including 13 administrative) employees to provide services to approximately 2,500 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’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” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34”. 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.

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).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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 \$77,220 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 1210 East Bogart Road, Sandusky, Ohio 44870.

Tri-Rivers Educational Computer Association (TRECA)

TRECA is a jointly governed organization among 36 school districts. TRECA was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to the administrative and instructional functions of member districts. Each of the governments of these schools supports TRECA based upon a per pupil charge, dependent upon the software package utilized. TRECA is governed by a Board of Directors consisting of superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. In the event of the dissolution of TRECA, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months' financial contributions. Financial information is available from Mike Carder, Director, at 100 Executive Drive, Marion, Ohio 43302. During fiscal year 2014, the District paid \$41,665 to TRECA for its services.

North Point Purchasing Cooperative

The North Point Purchasing Cooperative ("the Cooperative") is composed of 15 school districts in four counties. The purpose of the Cooperative is to obtain competitive prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the Cooperative; currently there are no fees assessed to the members. There are nine Directors elected from the member districts. Any district withdrawing from the Cooperative forfeits its claim to any and all Cooperative assets. Sixty days notice is necessary prior to withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. To obtain further information regarding the Cooperative, contact the North Point Purchasing Cooperative, Matt Bauer, who serves as Administrator, at 1210 East Bogart Road, Sandusky, Ohio 44870.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

PUBLIC ENTITY RISK POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established in Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established as an insurance purchasing pool. The GRP is governed by a three-member Board of Directors. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. Refer to Note 12.C. for further information on this group rating plan.

Huron-Erie School Employees Insurance Association

The Huron-Erie School Employees Insurance Association (Association) is a public entity risk pool comprised of 13 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 1210 East Bogart Road, 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 plus deferred outflows of resources and liabilities plus deferred inflows of resources are reported as fund balance. The following are the District's major governmental funds:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

Permanent improvement fund - The permanent improvement fund is used to account for financial resources that are restricted, committed, or assigned to expenditures for the acquisition or construction of capital facilities and other capital assets.

Other governmental funds of the District are used to account for (a) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects, and (b) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. 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 position 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, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

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

D. Basis of Accounting

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

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

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

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

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

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Payment in lieu of taxes and grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows 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 inflows of resources.

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

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

E. Budgets

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

Tax Budget:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to 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.

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 portion of the restricted, committed or assigned 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 15 provides a reconciliation of the budgetary and GAAP basis of accounting.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

F. Cash and Investments

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

During fiscal year 2014, 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. Nonparticipating investment contracts are reported at cost.

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, 2014.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or 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 2014 amounted to \$3,621, which includes \$2,705 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 nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

H. Capital Assets

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

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

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 receivable/payable". On fund financial statements, receivables and payables resulting from short-term interfund loans from the general fund to cover negative cash balances in other governmental funds are classified as "due to/from other funds". These amounts are eliminated in the governmental activities column on the statement of net position.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, the District has established a policy to include the following employees in their GASB Statement No. 16 accrual:

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable in the general fund.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

M. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is 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, a nonspendable fund balance equal to the carrying value of the asset is recorded on the fund financial statements. The District had no prepayments at June 30, 2014.

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, 2014

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. During fiscal year 2014, the District reached a legal settlement with the company Honeywell over unsatisfactory work related to a wind turbine. The settlement resulted in a \$122,438 payment to the District. This amount has been recorded as a special item on the fund financial statements.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2014, the District has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2014 included the following individual fund deficits:

<u>Major fund</u>	<u>Deficit</u>
General	\$ 795,081
 <u>Nonmajor funds</u>	
IDEA Part-B	17,968
Title I	5,044

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 resulted from adjustments for accrued liabilities.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

A. Cash on Hand

At fiscal year end, the District had \$2,660 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, \$1,772 was on deposit in the District's debt service clearing account. This amount is not part of the District's internal investment pool and has been excluded from the total amount of deposits reported below. The June 30, 2014 balance of this account is reported on the financial statements as "cash with fiscal agent".

C. Deposits with Financial Institutions

At June 30, 2014, the carrying amount of all District deposits was \$1,043,055. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$1,114,519 of the District's bank balance of \$1,522,731 was exposed to custodial risk as discussed below, while \$408,212 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Investments

As of June 30, 2014, 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	\$ 1,055,477	\$ 1,055,477

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 by Standard & Poor's. 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.

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, 2014:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 1,055,477	100.00

**PERKINS LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

E. Reconciliation of Cash and Investments to the Statement of Net Position

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 position as of June 30, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,043,055
Investments	1,055,477
Cash with fiscal agent	1,772
Cash on hand	<u>2,660</u>
Total	<u>\$ 2,102,964</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 1,888,791
Private-purpose trust fund	91,273
Agency fund	<u>122,900</u>
Total	<u>\$ 2,102,964</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2014 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 5,904</u>

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

Interfund balances between governmental funds are eliminated on the government-wide statement of net position.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- B.** Interfund transfers for the year ended June 30, 2014, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
<u>Transfers from the permanent improvement fund to:</u>	
Nonmajor governmental funds	<u>\$ 1,529,681</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 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, (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) restrict revenues for debt service through transfers 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.

- C.** Interfund balances at June 30, 2014 as reported on the fund financial statements, consist of the following individual due to/due from other funds:

<u>Receivable fund</u>	<u>Payable funds</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 60,948</u>

The primary purpose of the interfund balances is to cover negative cash balances in specific funds when revenues were not received by June 30. Project cash for these grants was requested at fiscal year-end but monies had not been received due to timing issues. 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, 2014 are reported on the statement of net position.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 and public utility property. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, 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 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, 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.

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, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$1,206,369 in the general fund and \$169,045 in the permanent improvement fund. This amount is recorded as revenue. The amount available for advance at June 30, 2013 was \$1,555,259 in the general fund and \$463,225 in the permanent improvement fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

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 reported as a deferred inflow of resources.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 414,843,590	97.17	\$ 412,840,220	96.93
Public utility personal	<u>12,088,650</u>	<u>2.83</u>	<u>13,054,750</u>	<u>3.07</u>
Total	<u>\$ 426,932,240</u>	<u>100.00</u>	<u>\$ 425,894,970</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
General	\$55.20		\$58.40	
Permanent improvement	7.20		4.00	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2014 consisted of taxes, intergovernmental grants and entitlements, accounts and payment in lieu of taxes. 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 position follows:

Governmental activities:	
Property taxes	\$ 14,675,700
Payment in lieu of taxes	289,754
Accounts	6,767
Intergovernmental	<u>407,174</u>
Total	<u>\$ 15,379,395</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 - PAYMENT IN LIEU OF TAXES

The District has entered into a tax incremental financing agreement with a local company for the purpose of various improvements and developments. To encourage these improvements, the company was granted an exemption from paying property taxes on the improvements and developments; however, payments in lieu of taxes are made to the District in an amount equal to the property taxes that otherwise would have been due in the current year. These payments are being used to finance either general operations or the District's permanent improvements and will continue through fiscal year 2020. In the governmental fund financial statements, the District recorded payment in lieu of taxes revenue of \$356,446 in the general fund during fiscal year 2014.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 9 - CAPITAL ASSETS

Capital asset activity for fiscal year 2014 is as follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 647,925	\$ -	\$ -	\$ 647,925
Construction in progress	<u>2,247,977</u>	<u>-</u>	<u>-</u>	<u>2,247,977</u>
Total capital assets, not being depreciated	<u>2,895,902</u>	<u>-</u>	<u>-</u>	<u>2,895,902</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,662,291	9,568	-	1,671,859
Building and improvements	20,102,733	16,531	-	20,119,264
Furniture and equipment	2,890,368	102,454	(30,443)	2,962,379
Vehicles	<u>1,730,938</u>	<u>253,898</u>	<u>(21,713)</u>	<u>1,963,123</u>
Total capital assets, being depreciated	<u>26,386,330</u>	<u>382,451</u>	<u>(52,156)</u>	<u>26,716,625</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(896,815)	(61,225)	-	(958,040)
Building and improvements	(11,025,939)	(380,647)	-	(11,406,586)
Furniture and equipment	(1,515,735)	(133,487)	29,307	(1,619,915)
Vehicles	<u>(1,279,308)</u>	<u>(87,605)</u>	<u>19,542</u>	<u>(1,347,371)</u>
Total accumulated depreciation	<u>(14,717,797)</u>	<u>(662,964)</u>	<u>48,849</u>	<u>(15,331,912)</u>
Depreciable capital assets, net	<u>11,668,533</u>	<u>(280,513)</u>	<u>(3,307)</u>	<u>11,384,713</u>
Governmental activities capital assets, net	<u>\$ 14,564,435</u>	<u>\$ (280,513)</u>	<u>\$ (3,307)</u>	<u>\$ 14,280,615</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 152,417
Special	12,451
Vocational	12,337
<u>Support services:</u>	
Pupil	6,604
Instructional staff	46,289
Administration	53,201
Operations and maintenance	104,255
Pupil transportation	85,182
Central	17,656
Extracurricular activities	145,914
Food service operations	<u>26,658</u>
Total depreciation expense	<u>\$ 662,964</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 10 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2014, the following changes occurred in governmental activities long-term obligations.

	Balance Outstanding <u>06/30/13</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/14</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
Lease-purchase agreement 2013	\$ 3,168,883	\$ -	\$ (670,023)	\$ 2,498,860	\$ 689,110
Capital lease obligation-Apple equipment	1,077,868	-	(583,389)	494,479	494,479
Capital lease obligation-HB264 project	1,266,665	-	(126,667)	1,139,998	126,667
Compensated absences	<u>1,381,545</u>	<u>66,952</u>	<u>(207,716)</u>	<u>1,240,781</u>	<u>208,342</u>
Total governmental activities	<u>\$ 6,894,961</u>	<u>\$ 66,952</u>	<u>\$ (1,587,795)</u>	<u>\$ 5,374,118</u>	<u>\$1,518,598</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 and the food service fund (a nonmajor governmental fund).

- B. *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.

Capital lease payments are reflected as debt service expenditures in the debt service fund (a nonmajor governmental fund). Principal and interest payments in the 2014 fiscal year totaled \$126,667 and \$55,556, respectively.

Citizens Bank has been designated as trustee for the HB264 Project 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, 2014.

Fiscal Year Ending <u>June 30,</u>	<u>Total</u>
2015	\$ 171,887
2016	166,719
2017	161,551
2018	156,383
2019	151,215
2020 - 2023	<u>553,175</u>
Total minimum lease payments	1,360,930
Less: amount representing interest	<u>(220,932)</u>
Present value of minimum lease payments	<u>\$ 1,139,998</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

- C. *Capital Lease Obligation - Apple Equipment:* During fiscal years 2009, 2011 and 2012, the District entered into capitalized leases for computers and equipment. 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.

A total of \$4,117,154 of computer equipment has been acquired under the capital leases. Of this total, \$3,746,273 has not been capitalized as the computer equipment does not meet the District's capitalization threshold. The remaining computer equipment, \$370,881, has been capitalized as a capital asset equal to the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation on the capitalized computer equipment as of June 30, 2014, was \$43,271, leaving a current book value of \$327,610.

Principal payments in the 2014 fiscal year totaled \$583,389. This amount is reported as debt service payments in the debt service fund (a nonmajor governmental fund).

The following is a schedule of future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2014:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 498,682
Total minimum lease payments	498,682
Less: amount representing interest	<u>(4,203)</u>
Present value of minimum lease payments	<u>\$ 494,479</u>

- D. *Lease-Purchase Agreement 2013:* On December 10, 2012, the District (the "Lessor") entered into a ground lease with Citizens Banking Company (the "Lessee") for a parcel of land owned by the District in the amount of \$3,500,000. The Lessee then leased the parcel of land back to the Lessor in the form of a lease-purchase agreement of which proceeds will be used to mainly construct, improve, furnish and equip school facilities including, without limitation, preparing for and constructing a new middle school and high school.

Payments on the lease purchase agreement are reflected as debt service expenditures in the debt service fund (a nonmajor governmental fund). Principal payments in the 2014 fiscal year totaled \$670,023.

The following is a schedule of future principal and interest payments as of June 30, 2014:

<u>Fiscal Year Ending June 30,</u>	<u>Lease Purchase Agreement 2013</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 689,110	\$ 65,891	\$ 755,001
2016	708,628	46,373	755,001
2017	728,929	26,073	755,002
2018	<u>372,193</u>	<u>5,307</u>	<u>377,500</u>
Total	<u>\$ 2,498,860</u>	<u>\$ 143,644</u>	<u>\$ 2,642,504</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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, 2014, are a voted debt margin of \$38,330,547, an unvoted debt margin of \$452,895, and a debt limitation of \$3,833,055 for energy conservation.

NOTE 11 - 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 the State Teachers Retirement System of Ohio (STRS Ohio) and the School Employees Retirement System (SERS).

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 12 - 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 2014, the District has contracted with the Ohio School Plan to provide insurance coverage in the following amounts:

<u>Limits of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
General liability:		
Each occurrence	\$ 5,000,000	\$ -
Aggregate	7,000,000	-
Fleet:		
Collision/Comprehensive	5,000,000	Buses 1,000 All Other 500
Umbrella liability	5,000,000	-
Building and contents	70,862,624	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, and life insurance benefits for its employees and their covered dependents. The Association is a shared risk pool comprised of 13 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
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 12 - RISK MANAGEMENT - (Continued)

C. OSBA Group Workers' Compensation Rating Plan

For fiscal year 2014, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

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

NOTE 13 - 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, 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 2014, 13.05 percent and 0.05 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 14 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, 2014, 2013 and 2012 were \$381,383, \$414,272 and \$417,117, respectively; 81.63 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System of Ohio

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

**PERKINS LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 13 - 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 2014, plan members were required to contribute 11 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 14 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, 2014, 2013 and 2012 were \$1,368,073, \$1,478,223 and \$1,509,312, respectively; 87.15 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$41,018 made by the District and \$32,229 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, 2014 certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 14 - 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 Section 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 monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the 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, 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 2014, 0.14 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 2014, the actuarially determined amount was \$20,250.

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, 2014, 2013 and 2012 were \$58,585, \$53,210 and \$63,138, respectively; 81.63 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, 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, 2014, 2013, and 2012 were \$22,126, \$23,402 and \$24,633, respectively; 81.63 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 14 - 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, under "Publications" 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 2014, 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, 2014, 2013 and 2012 were \$105,236, \$113,709 and \$116,101, respectively; 87.15 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (35,080)
Net adjustment for revenue accruals	(189,408)
Net adjustment for expenditure accruals	261,828
Net adjustment for other sources/uses	(77,935)
Funds budgeted elsewhere	14,296
Adjustment for encumbrances	6,144
GAAP basis	<u>\$ (20,155)</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the special trust fund, the public school support fund and the other grants fund.

NOTE 16 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is a party to several legal proceedings. The District's management is of the opinion that ultimate disposition of these proceedings will not have a material effect, if any, on the financial condition of the District.

NOTE 17 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, 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 fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 17 - SET-ASIDES - (Continued)

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2013	\$ -
Current year set-aside requirement	407,362
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	-
Excess qualified expenditures from prior years	-
Current year offsets	(2,394,594)
Waiver granted by ODE	-
Prior year offset from bond proceeds	-
Total	<u>\$ (1,987,232)</u>
Balance carried forward to fiscal year 2015	<u>\$ -</u>
Set-aside balance June 30, 2014	<u>\$ -</u>

NOTE 18 - 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 \$81,170, represent the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the District is \$10,103 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 19 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 6,882
Permanent improvement	375
Other governmental	<u>3,898</u>
Total	<u>\$ 11,155</u>

NOTE 20 - IMPAIRMENT OF CAPITAL ASSETS

The District has incurred architectural and other planning costs associated with building a new middle school and high school that have been recorded as construction in progress. It has been determined that these assets have been temporarily impaired under GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries" due to lack of funding to begin construction on the buildings. The carrying amount of the construction in progress at June 30, 2014 was \$2,247,977. The District will re-evaluate whether these assets are permanently impaired and, thus, reported as an impairment loss, if future funding requests are voted down by District residents.

SUPPLEMENTARY DATA

**PERKINS LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Child Nutrition Grant Cluster:				
(D) (F) School Breakfast Program	10.553	2014	\$ 29,515	\$ 29,515
Total School Breakfast Program			<u>29,515</u>	<u>29,515</u>
(D) (F) National School Lunch Program	10.555	2014	272,472	272,472
(C) (D) National School Lunch Program / Food Donation	10.555	2014	20,141	20,141
Total National School Lunch Program			<u>292,613</u>	<u>292,613</u>
Total Child Nutrition Grant Cluster			<u>322,128</u>	<u>322,128</u>
State Administrative Expenses for Child Nutrition	10.560	2014	3,184	3,184
Total U.S. Department of Agriculture			<u>325,312</u>	<u>325,312</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Title I Grants to Local Educational Agencies	84.010	2013	35,853	5,996
Title I Grants to Local Educational Agencies	84.010	2014	170,415	184,909
Total Title I Grants to Local Educational Agencies			<u>206,268</u>	<u>190,905</u>
Special Education Grant Cluster:				
(E) Special Education_Grants to States	84.027	2014	407,829	443,324
(E) Special Education_Preschool Grants	84.173	2014	9,600	11,057
Total Special Education Grant Cluster			<u>417,429</u>	<u>454,381</u>
Improving Teacher Quality State Grants	84.367	2013	12,031	1,743
Improving Teacher Quality State Grants	84.367	2014	27,279	45,492
Total Improving Teacher Quality State Grants			<u>39,310</u>	<u>47,235</u>
Total U.S. Department of Education			<u>663,007</u>	<u>692,521</u>
Total Federal Financial Assistance			<u>\$ 988,319</u>	<u>\$ 1,017,833</u>

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass-through number for fiscal year 2014.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at the entitlement value.
- (D) Included as part of the "Child Nutrition Grant Cluster" in determining major programs
- (E) Included as part of the "Special Education Grant Cluster" in determining major programs.
- (F) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first in, first out basis.



Julian & Grube, Inc.
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**Independent Auditor's Report on Internal Control Over Financial Reporting and
On Compliance and Other Matters Required by *Government Accounting Standards***

Perkins Local School District
Erie County
3714 Campbell Street, Suite B
Sandusky, Ohio 44870

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each 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, 2014, and the related notes to the financial statements, which collectively comprise the Perkins Local School District's basic financial statements and have issued our report thereon dated December 19, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Perkins Local School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Perkins Local School District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Perkins Local School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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 directly and materially affect the determination of financial statement amounts. However, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Perkins Local School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Perkins Local School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Julian & Grube, Inc.
December 19, 2014



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 on Compliance With Requirements Applicable to The
Major Federal Program and on Internal Control Over Compliance
Required by OMB Circular A-133**

Perkins Local School District
Erie County
3714 Campbell Street, Suite B
Sandusky, Ohio 44870

To the Board of Education:

Report on Compliance for The Major Federal Program

We have audited the Perkins Local School District's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Perkins Local School District's major federal program for the fiscal year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Perkins Local School District's major federal program.

Management's Responsibility

The Perkins Local School District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Perkins Local School District's compliance for the Perkins Local School District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Perkins Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Perkins Local School District's major program. However, our audit does not provide a legal determination of the Perkins Local School District's compliance.

Opinion on the Major Federal Program

In our opinion, the Perkins Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2014.

Board of Education
Perkins Local School District

Report on Internal Control Over Compliance

The Perkins Local School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Perkins Local School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Perkins Local School District's internal control over compliance.

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's applicable 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
December 19, 2014

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<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>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Special Education Grant Cluster: Special Education Grants to States, CFDA #84.027 and Special Education Preschool Grants, CFDA #84.173
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes
2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS		

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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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 17, 2015**