



Mary Taylor, CPA
Auditor of State

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Perkins Local School District
Erie County
1210 East Bogart Road
Sandusky, Ohio 44870-6411

To the Board of Education:

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 (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Perkins Local School District, Erie County, Ohio, as of June 30, 2008, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 the District modified the capitalization threshold for capital assets.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The schedule of federal awards receipts and expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards receipts and expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

May 28, 2009

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

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, 2008. 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 2008 are as follows:

- In total, net assets of governmental activities increased \$1,652,076 which represents a 16.72% increase from 2007.
- General revenues accounted for \$20,803,138 in revenue or 88.85% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,610,757 or 11.15% of total revenues of \$23,413,895.
- The District had \$21,761,819 in expenses related to governmental activities; only \$2,610,757 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$20,803,138 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 \$20,584,660 in revenues and \$19,075,102 in expenditures and other financing uses. During fiscal year 2008, the general fund's fund balance increased \$1,510,651 from a balance of \$2,846,702 to a balance of \$4,357,353.
- The permanent improvement fund had \$2,737,220 in revenues and other financing sources and \$1,487,967 in expenditures and other financing uses. During fiscal year 2008, the permanent improvement fund's fund balance increased \$1,249,253 from a balance of \$1,106,769 to a balance of \$2,356,022.

Using the Basic Financial Statements

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The District as a Whole

During 2008, the District restated beginning net assets as detailed in Note 3.B. The statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets at June 30, 2008 and June 30, 2007.

	Net Assets	
	Governmental	Restated
	Activities	Governmental
	2008	2007
<u>Assets</u>		
Current and other assets	\$ 21,981,026	\$ 21,986,016
Capital assets, net	<u>6,253,728</u>	<u>5,448,920</u>
Total assets	<u>28,234,754</u>	<u>27,434,936</u>
<u>Liabilities</u>		
Current liabilities	13,528,503	16,297,014
Long-term liabilities	<u>3,175,683</u>	<u>1,259,430</u>
Total liabilities	<u>16,704,186</u>	<u>17,556,444</u>
<u>Net Assets</u>		
Invested in capital		
assets, net of related debt	5,373,670	5,268,725
Restricted	1,603,632	1,450,649
Unrestricted	<u>4,553,266</u>	<u>3,159,118</u>
Total net assets	<u>\$ 11,530,568</u>	<u>\$ 9,878,492</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$11,530,568.

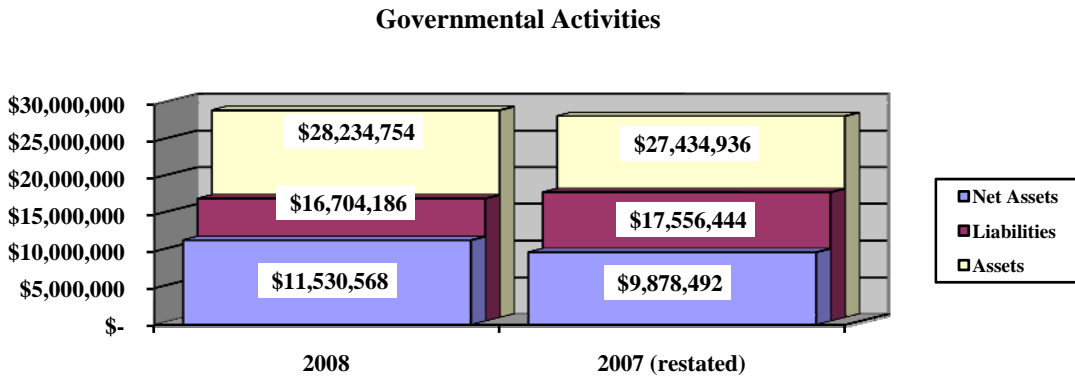
**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

At fiscal year-end, capital assets represented 22.15% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2008, were \$5,373,670. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$1,603,632, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$4,553,266 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below presents the District's governmental net assets at June 30, 2008 and June 30, 2007.



The table below shows the change in net assets for fiscal years 2008 and 2007.

Change in Net Assets

	Governmental Activities 2008	Governmental Activities 2007
Revenues		
Program revenues:		
Charges for services and sales	\$ 1,252,969	\$ 1,247,309
Operating grants and contributions	1,302,081	1,602,091
Capital grants and contributions	55,707	60,407
General revenues:		
Property taxes	13,834,881	14,053,117
Grants and entitlements	6,584,189	5,605,106
Investment earnings	305,339	353,083
Other	78,729	117,393
Total revenues	<u>\$23,413,895</u>	<u>\$23,038,506</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Change in Net Assets

	Governmental Activities 2008	Governmental Activities 2007
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 9,214,541	\$ 9,256,138
Special	2,516,342	2,417,056
Vocational	218,252	203,217
Other	358,945	302,411
Support services:		
Pupil	1,445,673	1,697,123
Instructional staff	1,049,193	1,049,790
Board of education	32,376	52,489
Administration	1,632,203	1,874,656
Fiscal	574,202	556,805
Business	25,962	24,547
Operations and maintenance	2,011,486	1,879,477
Pupil transportation	932,341	842,129
Central	60,706	219,423
Operations of non-instructional services:		
Food service operations	916,180	831,567
Other non-instructional services	44,013	55,847
Extracurricular activities	704,515	702,311
Interest and fiscal charges	<u>24,889</u>	<u>10,998</u>
Total expenses	<u>21,761,819</u>	<u>21,975,984</u>
Change in net assets	1,652,076	1,062,522
Net assets at beginning of year (restated)	<u>9,878,492</u>	<u>8,815,970</u>
Net assets at end of year	<u>\$ 11,530,568</u>	<u>\$ 9,878,492</u>

Governmental Activities

Net assets of the District's governmental activities increased \$1,652,076. Total governmental expenses of \$21,761,819 were offset by program revenues of \$2,610,757 and general revenues of \$20,803,138. Program revenues supported 12.00% of the total governmental expenses. During fiscal year 2008, the District was fortunate to receive a delinquent payment of over \$232,000 from Delphi Automotive due to the sale to Kyklos Bearing International and also received over \$324,000 for CAUV recoupment from a commercial developer, which is the primary reason for the increase in net assets.

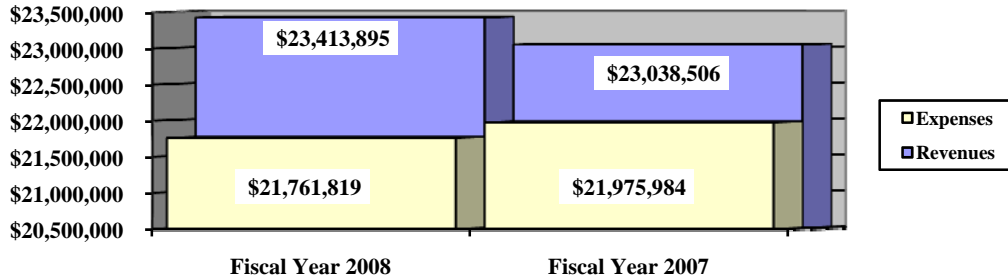
The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These two revenue sources represent 87.21% of total governmental revenue.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

The largest expense of the District is for instructional programs. Instruction expenses totaled \$12,308,080 or 56.56% of total governmental expenses for fiscal year 2008. The graph below presents the District's governmental activities revenue and expenses for fiscal years 2008 and 2007.

Governmental Activities - Revenues and Expenses



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

	Governmental Activities			
	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Program expenses				
Instruction:				
Regular	\$ 9,214,541	\$ 8,858,166	\$ 9,256,138	\$ 8,858,270
Special	2,516,342	1,835,249	2,417,056	1,493,776
Vocational	218,252	210,087	203,217	190,081
Other	358,945	358,945	302,411	302,411
Support services:				
Pupil	1,445,673	1,251,689	1,697,123	1,422,269
Instructional staff	1,049,193	1,028,848	1,049,790	1,043,958
Board of education	32,376	32,376	52,489	52,489
Administration	1,632,203	1,575,629	1,874,656	1,828,561
Fiscal	574,202	572,967	556,805	553,819
Business	25,962	25,962	24,547	24,547
Operations and maintenance	2,011,486	1,978,636	1,879,477	1,851,725
Pupil transportation	932,341	850,747	842,129	765,818
Central	60,706	40,636	219,423	199,574
Operations of non-instructional services:				
Food service operations	916,180	34,174	831,567	(3,498)
Other non-instructional services	44,013	13,605	55,847	10,876
Extracurricular activities	704,515	458,457	702,311	460,503
Interest and fiscal charges	24,889	24,889	10,998	10,998
Total expenses	<u>\$ 21,761,819</u>	<u>\$ 19,151,062</u>	<u>\$ 21,975,984</u>	<u>\$ 19,066,177</u>

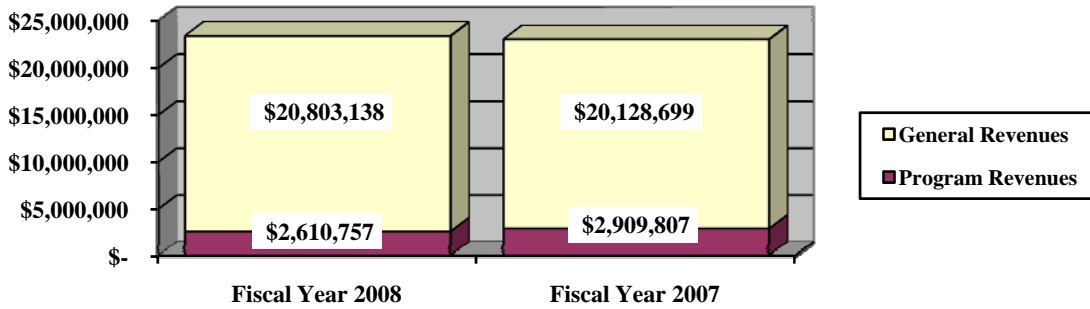
**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

The dependence upon tax and other general revenues for governmental activities is apparent, 91.50% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 88.00%. The District's taxpayers and grants and entitlements are the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2008 and 2007.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$7,415,634, which is greater than last year's balance of \$4,602,851. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	Fund Balance June 30, 2008	Fund Balance June 30, 2007	Increase
General	\$ 4,357,353	\$ 2,846,702	\$ 1,510,651
Permanent improvement	2,356,022	1,106,769	1,249,253
Other governmental	702,259	649,380	52,879
Total	<u>\$ 7,415,634</u>	<u>\$ 4,602,851</u>	<u>\$ 2,812,783</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

General Fund

The District's general fund balance increased \$1,510,651. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 13,125,482	\$ 13,033,841	0.70 %
Tuition	205,020	202,243	1.37 %
Earnings on investments	300,022	353,083	(15.03) %
Intergovernmental	6,733,725	6,018,991	11.87 %
Other revenues	<u>220,411</u>	<u>248,939</u>	(11.46) %
Total	<u>\$ 20,584,660</u>	<u>\$ 19,857,097</u>	3.66 %
<u>Expenditures</u>			
Instruction	\$ 11,452,594	\$ 11,408,391	0.39 %
Support services	7,060,459	7,280,133	(3.02) %
Extracurricular activities	499,456	481,427	3.74 %
Facilities acquisition and construction	<u>992</u>	<u>-</u>	100.00 %
Total	<u>\$ 19,013,501</u>	<u>\$ 19,169,951</u>	(0.82) %

The decrease in earnings on investments is due to the declining interest rates from an average return in fiscal year 2007 of 5.17% compared to an average return in fiscal year 2008 of 3.93%. Intergovernmental revenue increased \$714,734 or 11.87% from the prior year, and is due to the tangible personal property tax reimbursement. Other revenue decreased \$28,528 which is comprised of receipts which are not categorized elsewhere. The expenditures of the general fund decreased slightly from the prior year due primarily to support services.

Permanent Improvement Fund

The permanent improvement fund had \$2,737,220 in revenues and other financing sources and \$1,487,967 in expenditures and other financing uses. During fiscal 2008, the permanent improvement fund's fund balance increased \$1,249,253 from a balance of \$1,106,769 to a balance of \$2,356,022. Proceeds of a \$1,900,000 capital lease transaction were received in the permanent improvement fund in fiscal year 2008.

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 2008, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$18,978,773 and final budgeted revenues and other financing sources were \$20,282,608. The \$1,303,835 increase was primarily a result of additional monies expected to be received from taxes and state intergovernmental revenue. Actual revenues and other financing sources for fiscal year 2008 was \$20,441,786. This represents a \$159,178 increase from final budgeted revenues.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

General fund original and final appropriations (appropriated expenditures including other financing uses) were \$19,981,506. The actual budget basis expenditures and other financing uses for fiscal year 2008 totaled \$19,734,552, which was \$246,954 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

During fiscal year 2008, the District restated capital assets due to a change in the capitalization threshold, see Note 3.B for details. At the end of fiscal year 2008, the District had \$6,253,728 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. This entire amount is reported in governmental activities. The table that follows shows June 30, 2008 balances compared to June 30, 2007:

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

	Governmental Activities	
	2008	Restated 2007
Land	\$ 647,925	\$ 647,925
Construction in progress	760,058	-
Land improvements	471,738	415,713
Buildings and improvements	3,130,817	3,208,727
Furniture and equipment	783,944	831,727
Vehicles	459,246	344,828
Total	\$ 6,253,728	\$ 5,448,920

The overall increase in capital assets of \$804,808 is due to capital outlays of \$1,250,928 exceeding depreciation expense of \$446,120.

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

Debt Administration

At June 30, 2008, the District had \$120,000 in notes and \$1,900,000 in capital lease obligations outstanding. Of this total, \$186,667 is due within one year and \$1,833,333 is due in greater than one year. The following table summarizes the notes and capital lease obligations outstanding.

Outstanding Debt, at Year End

	Governmental Activities 2008	Governmental Activities 2007
Capital lease obligation	\$ 1,900,000	\$ -
Land purchase note	120,000	180,000
Total	\$ 2,020,000	\$ 180,000

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

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

At June 30, 2008, the District's overall legal debt margin was \$39,036,642 with an unvoted debt margin of \$433,740.

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

Current Financial Related Activity

The financial future of the Perkins Local School District is not without its challenges. These challenges are internal and external in nature. The internal challenges will continue to exist as the District must rely on local property taxes to fund its operations. External challenges continue to evolve as the State of Ohio determines the amount of funding they will allocate to education through each of their biennium budgets. In the biennium budget adopted by the State of Ohio on July 1, 2007, the District will see no additional dollars from the State of Ohio and our funding remains flat. In addition, legislation passed in recent years has had the effect of further eroding tax revenue by the decrease in assessment rate upon both the inventory component of personal property tax valuation and the public utility tangible property.

Delphi Automotive was sold during fiscal year 2008 to Kyklos Bearing International, or KBI. The District is looking positively at the sale as it maintains jobs to our area residents. The District has considerable concern regarding Automotive Components closing their facilities. The lack of jobs from Automotive Components closing is the domino effect to our local economy due to lack of jobs. If Automotive Components does close, the possibility of the value of the real property decreasing is high, and we will continue ongoing discussion with the County Auditor regarding possible tax valuation decreases. We are cautiously optimistic that the Automotive Components facility will be sold and not have a negative impact on our economy.

The economic challenges of the area and the State of Ohio require management to carefully and prudently plan to provide the resources to meet student needs over the next five years and to increase its dependence upon local tax revenue. The Board placed a renewal levy for our permanent improvement on the ballot in November 2007, and it had a successful passage. No decision has been made to place an operating levy on the ballot at this time. The District implemented an open enrollment policy for the 2008-2009 school year. Open enrollment will permit the enrollment of students who are residents of other school districts in Ohio, and the District will receive the State funding for that student.

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

Contacting the District's Financial Management

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

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

**STATEMENT OF NET ASSETS
JUNE 30, 2008**

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . .	\$ 7,353,290
Cash with fiscal agent.	1,770
Cash with escrow agent.	1,514,469
Receivables:	
Taxes.	12,902,596
Accounts.	8,908
Intergovernmental	55,098
Prepayments	42,246
Materials and supplies inventory.	102,649
Capital assets:	
Land	647,925
Construction in progress	760,058
Depreciable capital assets, net	4,845,745
Total capital assets, net	<u>6,253,728</u>
 Total assets	 <u>28,234,754</u>
Liabilities:	
Accounts payable.	87,717
Contracts payable.	338,808
Retainage payable.	30,402
Accrued wages and benefits	1,974,179
Pension obligation payable.	481,346
Intergovernmental payable	72,421
Unearned revenue	10,525,361
Accrued interest payable	16,499
Matured bonds payable	1,770
Long-term liabilities:	
Due within one year.	318,581
Due within more than one year	<u>2,857,102</u>
 Total liabilities	 <u>16,704,186</u>
Net Assets:	
Invested in capital assets, net of related debt.	5,373,670
Restricted for:	
Capital projects	1,272,727
Locally funded programs	19,106
State funded programs.	46,791
Federally funded programs	12,313
Student activities	252,695
Unrestricted.	<u>4,553,266</u>
 Total net assets	 <u>\$ 11,530,568</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENT

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

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental activities:					
Instruction:					
Regular	\$ 9,214,541	\$ 285,365	\$ 71,010	\$ -	\$ (8,858,166)
Special	2,516,342	24,975	656,041	77	(1,835,249)
Vocational	218,252	-	8,165	-	(210,087)
Other	358,945	-	-	-	(358,945)
Support services:					
Pupil.	1,445,673	891	183,268	9,825	(1,251,689)
Instructional staff	1,049,193	-	4,205	16,140	(1,028,848)
Board of education.	32,376	-	-	-	(32,376)
Administration.	1,632,203	27,824	28,610	140	(1,575,629)
Fiscal	574,202	-	-	1,235	(572,967)
Business.	25,962	-	-	-	(25,962)
Operations and maintenance	2,011,486	28,036	-	4,814	(1,978,636)
Pupil transportation	932,341	10,162	47,956	23,476	(850,747)
Central	60,706	-	20,070	-	(40,636)
Operation of non-instructional services:					
Food service operations	916,180	657,882	224,124	-	(34,174)
Other non-instructional services	44,013	-	30,408	-	(13,605)
Extracurricular activities	704,515	217,834	28,224	-	(458,457)
Interest and fiscal charges	24,889	-	-	-	(24,889)
Total governmental activities	<u>\$ 21,761,819</u>	<u>\$ 1,252,969</u>	<u>\$ 1,302,081</u>	<u>55,707</u>	<u>(19,151,062)</u>
General Revenues:					
Property taxes levied for:					
					13,159,480
					675,401
					6,584,189
					305,339
					78,729
					20,803,138
					1,652,076
					9,878,492
					\$ 11,530,568

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and cash equivalents	\$ 5,448,603	\$ 1,138,440	\$ 766,247	\$ 7,353,290
Cash with fiscal agent.	-	-	1,770	1,770
Cash with escrow agent.	-	1,514,469	-	1,514,469
Receivables:				
Taxes.	12,248,543	654,053	-	12,902,596
Accounts	8,908	-	-	8,908
Intergovernmental.	4,029	-	51,069	55,098
Interfund loans	26,675	-	-	26,675
Prepayments	42,246	-	-	42,246
Materials and supplies inventory.	70,850	-	31,799	102,649
Total assets	<u>\$ 17,849,854</u>	<u>\$ 3,306,962</u>	<u>\$ 850,885</u>	<u>\$ 22,007,701</u>
Liabilities:				
Accounts payable	\$ 80,487	\$ -	\$ 7,230	\$ 87,717
Contracts payable.	-	338,808	-	338,808
Retainage payable.	-	30,402	-	30,402
Accrued wages and benefits	1,899,673	-	74,506	1,974,179
Compensated absences payable.	24,352	-	-	24,352
Pension obligation payable	446,281	-	35,065	481,346
Intergovernmental payable	69,041	-	3,380	72,421
Interfund loans payable	-	-	26,675	26,675
Matured bonds payable.	-	-	1,770	1,770
Deferred revenue	988,297	40,739	-	1,029,036
Unearned revenue	9,984,370	540,991	-	10,525,361
Total liabilities	<u>13,492,501</u>	<u>950,940</u>	<u>148,626</u>	<u>14,592,067</u>
Fund Balances:				
Reserved for encumbrances.	379,809	274,739	65,073	719,621
Reserved for materials and supplies inventory	70,850	-	31,799	102,649
Reserved for property tax unavailable for appropriation.	1,275,876	72,323	-	1,348,199
Reserved for prepayments.	42,246	-	-	42,246
Unreserved, undesignated, reported in:				
General fund.	2,588,572	-	-	2,588,572
Special revenue funds	-	-	589,479	589,479
Capital projects funds	-	2,008,960	15,908	2,024,868
Total fund balances.	<u>4,357,353</u>	<u>2,356,022</u>	<u>702,259</u>	<u>7,415,634</u>
Total liabilities and fund balances	<u>\$ 17,849,854</u>	<u>\$ 3,306,962</u>	<u>\$ 850,885</u>	<u>\$ 22,007,701</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2008**

Total governmental fund balances		\$ 7,415,634
<i>Amounts reported for governmental activities on the statement of net assets are different because.</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		6,253,728
Other long-term assets, including taxes receivable, are available to pay for current-period expenditures and therefore are deferred in the funds.		1,029,036
In the statement of activities interest is accrued on outstanding notes and leases, whereas in governmental funds, interest expenditures are reported when due.		(16,499)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Land purchase note	\$ (120,000)	
Capital lease obligation	(1,900,000)	
Compensated absences payable	<u>(1,131,331)</u>	
Total		<u>(3,151,331)</u>
Net assets of governmental activities		<u>\$ 11,530,568</u>

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, 2008**

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 13,125,482	\$ 680,805	\$ -	\$13,806,287
Tuition	205,020	-	-	205,020
Transportation fees	10,162	-	-	10,162
Earnings on investments	300,022	5,317	-	305,339
Charges for services	-	-	657,882	657,882
Extracurricular	50,563	-	195,986	246,549
Classroom materials and fees	105,169	-	-	105,169
Other local revenues	54,517	30,000	154,876	239,393
Intergovernmental - state	6,733,725	121,098	51,176	6,905,999
Intergovernmental - federal	-	-	911,330	911,330
Total revenues	<u>20,584,660</u>	<u>837,220</u>	<u>1,971,250</u>	<u>23,393,130</u>
Expenditures:				
Current:				
Instruction:				
Regular	8,880,472	-	85,552	8,966,024
Special	2,006,611	878	494,830	2,502,319
Vocational	206,566	-	-	206,566
Other	358,945	-	-	358,945
Support services:				
Pupil	1,160,744	112,619	165,479	1,438,842
Instructional staff	1,040,096	2,654	4,097	1,046,847
Board of education	32,376	-	-	32,376
Administration	1,476,547	1,609	94,406	1,572,562
Fiscal	560,716	14,160	-	574,876
Business	26,129	-	-	26,129
Operations and maintenance	1,824,721	55,180	-	1,879,901
Pupil transportation	902,033	156,765	-	1,058,798
Central	37,097	-	23,609	60,706
Operation of non-instructional services:				
Food service operations	-	-	892,829	892,829
Other non-instructional services	-	-	43,750	43,750
Extracurricular activities	499,456	-	180,355	679,811
Facilities acquisition and construction	992	1,075,712	-	1,076,704
Debt service:				
Principal retirement	-	-	60,000	60,000
Interest and fiscal charges	-	-	8,390	8,390
Total expenditures	<u>19,013,501</u>	<u>1,419,577</u>	<u>2,053,297</u>	<u>22,486,375</u>
Excess of revenues over (under) expenditures.	<u>1,571,159</u>	<u>(582,357)</u>	<u>(82,047)</u>	<u>906,755</u>
Other financing sources (uses):				
Transfers in	-	-	129,991	129,991
Transfers (out)	(61,601)	(68,390)	-	(129,991)
Capital lease transaction	-	1,900,000	-	1,900,000
Total other financing sources (uses)	<u>(61,601)</u>	<u>1,831,610</u>	<u>129,991</u>	<u>1,900,000</u>
Net change in fund balances	1,509,558	1,249,253	47,944	2,806,755
Fund balance at beginning of year	2,846,702	1,106,769	649,380	4,602,851
Increase in reserve for inventory	1,093	-	4,935	6,028
Fund balances at end of year	<u>\$ 4,357,353</u>	<u>\$ 2,356,022</u>	<u>\$ 702,259</u>	<u>\$ 7,415,634</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, 2008**

Net change in fund balances - total governmental funds **\$ 2,806,755**

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

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

Capital asset additions	\$ 1,250,928	
Current year depreciation	(446,120)	
Total		804,808

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

6,028

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

(16,499)

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

Delinquent property taxes	28,594	
Intergovernmental	(7,829)	
Total		20,765

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

60,000

Capital lease transactions are recorded as other financing sources in the funds, however, on the statement of activities they are not reported as revenues as they increase liabilities on the statement of net assets

(1,900,000)

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.

(129,781)

Change in net assets of governmental activities **\$ 1,652,076**

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, 2008**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 11,947,394	\$ 12,776,332	\$ 12,868,380	\$ 92,048
Tuition	190,347	202,560	205,020	2,460
Transportation fees	6,298	5,021	6,784	1,763
Earnings on investments	278,550	294,181	300,022	5,841
Extracurricular	45,802	47,080	49,333	2,253
Classroom materials and fees	97,918	101,390	105,466	4,076
Other local revenues	41,401	28,361	44,593	16,232
Intergovernmental - state	<u>6,251,794</u>	<u>6,699,220</u>	<u>6,733,725</u>	<u>34,505</u>
Total revenues	<u>18,859,504</u>	<u>20,154,145</u>	<u>20,313,323</u>	<u>159,178</u>
Expenditures:				
Current:				
Instruction:				
Regular	9,187,176	9,239,618	9,236,812	2,806
Special	1,952,073	2,067,315	2,064,640	2,675
Vocational	204,588	208,620	208,392	228
Other	328,010	372,864	372,225	639
Support services:				
Pupil	1,169,778	1,228,421	1,161,960	66,461
Instructional staff	1,147,018	1,128,780	1,067,067	61,713
Board of education	51,636	49,935	49,584	351
Administration	1,755,868	1,496,322	1,490,924	5,398
Fiscal	568,131	574,841	573,375	1,466
Business	24,730	27,063	26,239	824
Operations and maintenance	1,940,385	1,949,377	1,927,479	21,898
Pupil transportation	885,646	901,931	896,552	5,379
Central	33,886	37,611	37,097	514
Extracurricular activities	505,532	534,754	529,107	5,647
Facilities acquisition and construction	-	992	992	-
Total expenditures	<u>19,754,457</u>	<u>19,818,444</u>	<u>19,642,445</u>	<u>175,999</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(894,953)</u>	<u>335,701</u>	<u>670,878</u>	<u>335,177</u>
Other financing sources (uses):				
Refund of prior year expenditure	4,951	5,333	5,333	-
Transfers (out)	(102,049)	(66,959)	(61,601)	5,358
Advances in	112,085	120,725	120,725	-
Advances (out)	(125,000)	(96,103)	(30,506)	65,597
Sale of capital assets	2,233	2,405	2,405	-
Total other financing sources (uses)	<u>(107,780)</u>	<u>(34,599)</u>	<u>36,356</u>	<u>70,955</u>
Net change in fund balance	(1,002,733)	301,102	707,234	406,132
Fund balance at beginning of year	3,963,409	3,963,409	3,963,409	-
Prior year encumbrances appropriated	316,909	316,909	316,909	-
Fund balance at end of year	<u>\$ 3,277,585</u>	<u>\$ 4,581,420</u>	<u>\$ 4,987,552</u>	<u>\$ 406,132</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008**

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 116,528	\$ 28,209
Receivables:		
Taxes.	-	240,330
	<u>116,528</u>	<u>268,539</u>
Total assets	<u>116,528</u>	<u>\$ 268,539</u>
Liabilities:		
Accounts payable.	-	\$ 41
Intergovernmental payable	-	240,330
Due to students	-	28,168
	<u>-</u>	<u>268,539</u>
Total liabilities	<u>-</u>	<u>\$ 268,539</u>
Net Assets:		
Held in trust for scholarships	<u>116,528</u>	
Total net assets	<u>\$ 116,528</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 4,403
Gifts and contributions.	5,350
Total additions.	9,753
Deductions:	
Scholarships awarded	5,551
Change in net assets	4,202
Net assets at beginning of year	112,326
Net assets at end of year	\$ 116,528

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, 2008**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

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

The District is the 248th largest in the State of Ohio (among 896 public and community school districts) in terms of enrollment and the 3rd largest in Erie County. It currently operates 2 elementary schools, 1 middle school and 1 comprehensive high school. The District employs 123 non-certified employees and 143 certified (including administrative) employees to provide services to approximately 2,131 students and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the 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. 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, 2008
(Continued)**

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 \$153,663 to the BACG. Members of the Board serve staggered two-year terms. Financial information can be obtained by contacting the Erie-Huron-Ottawa ESC, which serves as fiscal agent, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

Northern Ohio Educational Computer Association

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization, which is a computer consortium. NOECA is an association of 41 public school districts formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts. The NOECA Board of Directors consists of two representatives from each county in which participating school districts are located, the chairman of each of the operating committees, and a representative from the fiscal agent. During the fiscal year, the District paid NOECA \$62,087 for services. Financial information can be obtained from Betty Schwiefert, who serves as Controller, 2900 South Columbus Avenue, Sandusky, Ohio 44870.

PUBLIC ENTITY RISK POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

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

Huron-Erie School Employees Insurance Association

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

RELATED ORGANIZATION

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

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

PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)

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

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

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

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

D. Basis of Accounting

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

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2008 are recorded as deferred revenue on the governmental fund financial statements.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

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

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

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

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level for all funds. 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 express purpose of this budget document is to reflect the need for existing (or increased tax rates). By no later than January 20, the Board-adopted budget is filed with Erie County Budget Commission for rate determination.

Estimated Resources:

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

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

Appropriations:

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

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

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

Encumbrances:

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

F. Cash and Investments

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

During fiscal year 2008, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal year 2008. 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, 2008.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$300,022, which includes \$105,249 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. On the fund financial statements inventories are stated at cost and expensed when purchased.

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

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. During the fiscal year 2008, the District had a reappraisal of assets and at that time changed the capitalization threshold from \$2,500 to \$500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

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

I. Interfund Balances

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

J. Compensated Absences

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

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

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

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

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

L. Fund Balance Reserves

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

N. Prepayments

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

O. Estimates

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

P. Interfund Activity

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2008.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues" and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 13) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

B. Restatement of Net Assets

The District's net assets have been restated to reflect a change in capitalization threshold of the District's capital assets from \$2,500 to \$500. Management made this change as they felt it was preferable to report a higher percentage of their capital assets. The adjustment of the District's capital assets had the following effect on net assets as previously reported by the governmental activities:

	<u>Governmental Activities</u>
Net assets, June 30, 2007	\$ 6,662,211
Adjustment for capital assets	<u>3,216,281</u>
Restated net assets, June 30, 2007	<u>\$ 9,878,492</u>

See Note 8 for the effect of the change on capital assets balances as previously reported by the District at June 30, 2007.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Deficit Fund Balances

Fund balances at June 30, 2008, included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
EMIS	\$ 2,983
Title VI	16

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

A. Cash on Hand

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

B. Cash with Fiscal Agent

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

C. Cash with Escrow Agent

At fiscal year-end, \$1,514,469 was on deposit in an escrow account with Citizens Bank related to the capital lease obligation entered into by the District during fiscal year 2008 (see Note 9.C). The amount on deposit with the escrow agent has been excluded from the total amount of deposits reported below as it is not part of the District's internal investment pool. The June 30, 2008 balance of the escrow account is reported on the financial statements as "cash with escrow agent".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Deposits with Financial Institutions

At June 30, 2008, the carrying amount of all District deposits was \$(380,954). A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the "zero-balance" nature of the District's bank accounts. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, all of the District's bank balance of \$64,479 was covered by the Federal Deposit Insurance Corporation.

E. Investments

As of June 30, 2008, 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	\$ 7,878,381	\$ 7,878,381

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

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

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2008:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ (380,954)
Investments	7,878,381
Cash with escrow agent	1,514,469
Cash with fiscal agent	1,770
Cash on hand	600
Total	<u>\$ 9,014,266</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 8,869,529
Private-purpose trust funds	116,528
Agency funds	28,209
Total	<u>\$ 9,014,266</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund balances at June 30, 2008 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 26,675

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2008 are reported on the statement of net assets.

- B.** Interfund transfers for the year ended June 30, 2008, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
Transfers to nonmajor governmental funds from:	
General fund	\$ 61,601
Transfers to nonmajor governmental funds from:	
Permanent improvement fund	<u>68,390</u>
Total	<u>\$ 129,991</u>

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

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 6 - PROPERTY TAXES - (Continued)

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien January 1, 2007, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property tax is being phased out. For 2007, tangible personal property was assessed at 12.50% for property, including inventory. This percentage was reduced to 6.25% for 2008 and will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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 Auditor by June 30, 2008, are available to finance fiscal year 2008 operations.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

The amount available as an advance at June 30, 2008 was \$1,275,876 in the general fund and \$72,323 in the permanent improvement fund. These amounts have been recorded as revenue. The amount that was available as an advance at June 30, 2007 was \$1,018,774 in the general fund and \$57,775 in the permanent improvement fund.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 411,585,010	88.35	\$ 423,257,350	93.76
Public utility personal	12,489,400	2.68	13,171,390	2.92
Tangible personal property	<u>41,760,210</u>	<u>8.97</u>	<u>14,974,770</u>	<u>3.32</u>
Total	<u>\$ 465,834,620</u>	<u>100.00</u>	<u>\$ 451,403,510</u>	<u>100.00</u>
 Tax rate per \$1,000 of assessed valuation	 \$65.65		 \$65.65	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2008 consisted of taxes, accounts (billings for user charged services and student fees) and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities	
Taxes	\$ 12,902,596
Accounts	8,908
Intergovernmental	<u>55,098</u>
Total	<u>\$ 12,966,602</u>

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 8 - CAPITAL ASSETS

Capital assets of the governmental activities have been restated due to a change in the capitalization threshold from \$2,500 to \$500 during fiscal year 2008. The change in capitalization threshold had the following effect on the governmental activities capital asset balances as previously reported:

	Balance		Restated
	June 30, 2007	Adjustment	Balance
	<u>June 30, 2007</u>	<u>Adjustment</u>	<u>June 30, 2007</u>
<i>Capital assets, not being depreciated:</i>			
Land	\$ 647,925	\$ -	\$ 647,925
Total capital assets, not being depreciated	<u>647,925</u>	<u>-</u>	<u>647,925</u>
<i>Capital assets, being depreciated:</i>			
Land improvements	327,181	637,989	965,170
Buildings and improvements	10,302,421	2,556,511	12,858,932
Furniture and equipment	1,568,760	1,805,856	3,374,616
Vehicles	<u>1,625,697</u>	<u>(26,996)</u>	<u>1,598,701</u>
Total capital assets, being depreciated	<u>13,824,059</u>	<u>4,973,360</u>	<u>18,797,419</u>
<i>Less: accumulated depreciation:</i>			
Land improvements	(320,706)	(228,751)	(549,457)
Buildings and improvements	(9,134,407)	(515,798)	(9,650,205)
Furniture and equipment	(1,232,684)	(1,310,205)	(2,542,889)
Vehicles	<u>(1,551,548)</u>	<u>297,675</u>	<u>(1,253,873)</u>
Total accumulated depreciation	<u>(12,239,345)</u>	<u>(1,757,079)</u>	<u>(13,996,424)</u>
Total capital assets, being depreciated	<u>1,584,714</u>	<u>3,216,281</u>	<u>4,800,995</u>
Governmental activities capital assets, net	<u>\$ 2,232,639</u>	<u>\$ 3,216,281</u>	<u>\$ 5,448,920</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 8 - CAPITAL ASSETS - (Continued)

	Restated Balance <u>July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2008</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 647,925	\$ -	\$ -	\$ 647,925
Construction in progress	<u>-</u>	<u>760,058</u>	<u>-</u>	<u>760,058</u>
Total capital assets, not being depreciated	<u>647,925</u>	<u>760,058</u>	<u>-</u>	<u>1,407,983</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	965,170	196,821	-	1,161,991
Building and improvements	12,858,932	34,773	-	12,893,705
Furniture and equipment	3,374,616	101,260	(9,915)	3,465,961
Vehicles	<u>1,598,701</u>	<u>158,016</u>	<u>-</u>	<u>1,756,717</u>
Total capital assets, being depreciated	<u>18,797,419</u>	<u>490,870</u>	<u>(9,915)</u>	<u>19,278,374</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(549,457)	(40,844)	-	(590,301)
Building and improvements	(9,650,205)	(212,635)	-	(9,862,840)
Furniture and equipment	(2,542,889)	(149,043)	9,915	(2,682,017)
Vehicles	<u>(1,253,873)</u>	<u>(43,598)</u>	<u>-</u>	<u>(1,297,471)</u>
Total accumulated depreciation	<u>(13,996,424)</u>	<u>(446,120)</u>	<u>9,915</u>	<u>(14,432,629)</u>
Depreciable capital assets, net	<u>4,800,995</u>	<u>44,750</u>	<u>-</u>	<u>4,845,745</u>
Governmental activities capital assets, net	<u>\$ 5,448,920</u>	<u>\$ 804,808</u>	<u>\$ -</u>	<u>\$ 6,253,728</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 226,650
Special	9,464
Vocational	10,906
<u>Support services:</u>	
Pupil	3,331
Instructional staff	29,725
Administration	15,051
Fiscal	1,014
Operations and maintenance	60,101
Pupil transportation	39,581
Extracurricular activities	26,503
Food service operations	<u>23,794</u>
Total depreciation expense	<u>\$ 446,120</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 9 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2008, the following changes occurred in governmental activities long-term obligations.

	Balance Outstanding <u>06/30/07</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/08</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
Land purchase note	\$ 180,000	\$ -	\$ (60,000)	\$ 120,000	\$ 60,000
Capital lease obligation	-	1,900,000	-	1,900,000	126,667
Compensated absences	<u>1,079,430</u>	<u>213,153</u>	<u>(136,900)</u>	<u>1,155,683</u>	<u>131,914</u>
Total governmental activities	<u>\$ 1,259,430</u>	<u>\$ 2,113,153</u>	<u>\$ (196,900)</u>	<u>\$ 3,175,683</u>	<u>\$ 318,581</u>

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

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

Principal and interest requirements to retire the notes outstanding at June 30, 2008, are as follows:

Fiscal Year <u>Ending June 30,</u>	<u>Land Purchase Note</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 60,000	\$ 6,204	\$ 66,204
2010	<u>60,000</u>	<u>3,102</u>	<u>63,102</u>
Total	<u>\$ 120,000</u>	<u>\$ 9,306</u>	<u>\$ 129,306</u>

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

Capital assets acquired by lease purchase at June 30, 2008 have been capitalized in the amount of \$760,058 in construction in progress. A liability in the amount of \$1,900,000 was reported in the statement of net assets. Capital lease payments will be reflected as debt service expenditures in the permanent improvement fund. There were no principal or interest payments made during fiscal year 2008.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

Citizens Bank has been designated as trustee for the agreement.

The following is a schedule of the future long-term minimum lease payments required under the capital lease obligation and the present value of the minimum lease payments as of June 30, 2008.

Fiscal Year Ending June 30,	Total
2009	\$ 202,895
2010	197,727
2011	192,559
2012	187,391
2013	182,223
2014 - 2018	833,595
2019 - 2023	704,390
Total minimum lease payments	2,500,780
Less: amount representing interest	(600,780)
Present value of minimum lease payments	\$ 1,900,000

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code 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, 2008, are a voted debt margin of \$39,036,642, an unvoted debt margin of \$433,740, and a debt limitation of \$3,903,664 for energy conservation.

NOTE 10 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 10 - OTHER EMPLOYEE BENEFITS - (Continued)

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

B. Insurance Benefits

The District provides life insurance and accidental death and dismemberment insurance in the amount of \$50,000 to certified employees. For classified employees, group term life insurance is provided in the amount of \$10,000.

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2008, the District has contracted with various insurance carriers to provide insurance coverage in the following amounts:

<u>Limits of Coverage</u>	<u>Carrier</u>	<u>Coverage</u>	<u>Deductible</u>
General liability:			
Each occurrence	Ohio School Plan	\$ 5,000,000	\$ -
Aggregate		7,000,000	-
Fleet:			
Collision/Comprehensive	Ohio School Plan	5,000,000	Buses 1,000 All Other 500
Umbrella liability	Ohio School Plan	5,000,000	-
Building and contents	Ohio School Plan	52,407,204	1,000

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

B. Huron-Erie School Employees Insurance Association

The District has contracted with the Huron-Erie School Employees Insurance Association (Association) to provide medical/surgical, dental, vision and life insurance benefits for its employees and their covered dependents. The Association is a shared risk pool comprised of 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 11 - RISK MANAGEMENT - (Continued)

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

C. OSBA Workers' Compensation Group Rating Plan

For fiscal year 2008, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

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

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 12 - PENSION PLANS - (Continued)

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 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$258,626, \$271,743 and \$256,359, respectively; 45.15 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

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

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 12 - PENSION PLANS - (Continued)

Funding Policy - For fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007 and 2006 were \$1,214,277, \$1,154,915 and \$1,130,242, respectively; 84.09 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$3,943 made by the District and \$28,018 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, 2008, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$172,784, \$142,112 and \$125,752, respectively; 45.15 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$18,635, \$18,479 and \$20,404, respectively; 45.15 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

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

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 2008, 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, 2008, 2007, and 2006 were \$93,406, \$88,840 and \$88,830, respectively; 84.09 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

**PERKINS LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING (Continued)

(d) Advances-in advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

Net Change in Fund Balance	<u>General Fund</u>
Budget basis	\$ 707,234
Net adjustment for revenue accruals	271,337
Net adjustment for expenditure accruals	167,893
Net adjustment for other sources/uses	(97,957)
Adjustment for encumbrances	<u>461,051</u>
GAAP basis	<u><u>\$ 1,509,558</u></u>

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 16 - STATUTORY RESERVES

The District is required by State statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward to be used for the same purposes in future years. During the fiscal year ended June 30, 2008, the reserve activity was as follows:

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>
Set-aside balance as of June 30, 2007	\$ (1,028,688)	\$ -
Current year set-aside requirement	335,264	335,264
Current year offsets	-	(668,786)
Qualifying disbursements	<u>(239,113)</u>	<u>(10,096)</u>
Total	<u><u>\$ (932,537)</u></u>	<u><u>\$ (343,618)</u></u>
Balance carried forward to FY 2009	<u><u>\$ (932,537)</u></u>	<u><u>\$ -</u></u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 16 - STATUTORY RESERVES (Continued)

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

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

NOTE 17 - DONOR RESTRICTED ENDOWMENTS

The District's private-purpose trust funds consist of donor restricted endowments and realized and unrealized appreciation on investments. Endowments, in the amount of \$108,268, represent the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the District is \$8,260 and is reflected as held in trust for scholarships. State law permits the District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide scholarships each year.

NOTE 18 – ACCOUNTABILITY AND COMPLIANCE

Contrary to Ohio law the District did not estimate resources or appropriate disbursements for on behalf activity associated with the energy improvement capital lease.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE			
<i>Passed through the Ohio Department of Education</i>			
National School Lunch Program	10.555		
Cash Assistance		\$162,032	\$162,032
Non-cash Assistance (Food Distribution)		104,969	104,969
Total - National School Lunch Program		<u>267,001</u>	<u>267,001</u>
Total United States Department of Agriculture		<u>267,001</u>	<u>267,001</u>
UNITED STATES DEPARTMENT OF EDUCATION			
<i>Passed through the Ohio Department of Education</i>			
<u>Special Education Cluster:</u>			
Special Education - Grants to States	84.027	588,259	488,490
Special Education - Preschool Grants	84.173	12,751	12,751
Total - Special Education Cluster		<u>601,010</u>	<u>501,241</u>
Title I Grants to Local Educational Agencies	84.010	99,850	117,577
Safe and Drug Free Schools and Communities - State Grants	84.186	4,338	2,774
State Grants for Innovative Programs	84.298	2,914	2,914
Education Technology State Grants	84.318	1,232	1,346
Improving Teacher Quality State Grants	84.367	<u>68,234</u>	<u>69,915</u>
Total United States Department of Education		<u>777,578</u>	<u>695,767</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u>\$ 1,044,579</u>	<u>\$ 962,768</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D – MATCHING REQUIREMENTS

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



Mary Taylor, CPA

Auditor of State

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

Perkins Local School District
Erie County
1210 East Bogart Road
Sandusky, Ohio 44870-6411

To the Board of Education:

We have audited 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 (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 28, 2009 in which we noted the District modified the capitalization threshold for capital assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2008-003 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We do not believe the significant deficiency described above is a material weakness.

We also noted a certain internal control matter that we reported to the District's management in a separate letter dated May 28, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-001 and 2008-002.

We also noted certain noncompliance not requiring inclusion in this report that we reported to the District's management in a separate letter dated May 28, 2009.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

May 28, 2009



Mary Taylor, CPA

Auditor of State

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

Perkins Local School District
Erie County
1210 East Bogart Road
Sandusky, Ohio 44870-6411

To the Board of Education:

Compliance

We have audited the compliance of the Perkins Local School District, Erie County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Perkins Local School District, Erie County, Ohio, complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2008. In a separate letter to the District's management dated May 28, 2009, we reported a matter related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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



Mary Taylor, CPA
Auditor of State

May 28, 2009

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2008-001

Noncompliance Citation

Ohio Revised Code, § 5705.41 (D)(1), prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

FINDING NUMBER 2008-001
(Continued)

There are several exceptions to the standard requirement above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

- A. "Then and Now" certificate** - If the fiscal officer can certify both at the time the contract or order was made ("then"), and at the time that he is completing the certification ("now"), sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

- B. Blanket Certificate** – Fiscal officers may prepare "blanket" certificates not exceeding an amount established by resolution or ordinance adopted by the legislative authority against any specific line item account over a period not exceeding three months or running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any particular line item appropriation.
- C. Super Blanket Certificate** – The taxing authority may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year (or quarterly spending plan for counties). More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Treasurer did not properly certify the availability of funds prior to purchase commitment for 21 percent of expenditures tested and there was no evidence the District followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, we recommend the Treasurer certify the funds are or will be available prior to obligation by the District. When prior certification is not possible, "then and now" certification should be used, with appropriate legislative approval following within thirty days.

We recommend the District certify all purchases to which section 5705.41(D) applies. The Treasurer should sign the certification at the time the District incurs a commitment, and only when the requirements of 5705.41 (D) are satisfied. The Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2008-002

Noncompliance Citation

Ohio Revised Code, §3313.21, provides in pertinent part the treasurer of the school shall be the chief fiscal officer of the school district and shall be responsible for the financial affairs of the district.

Ohio Revised Code, §5705.10 (D), requires, in part, all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose. **Ohio Revised Code, §5705.39**, prohibits a political subdivision from making a fund appropriation in excess of estimated resources available for expenditure from the fund. **Ohio Revised Code, §5705.36(A)(3)**, requires subdivisions request an increased amended certificate of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater than the amount included in the official certificate. An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. **Ohio Revised Code, §5705.40**, requires any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. No appropriation, however, may be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations certified from or against the appropriation. **Ohio Revised Code, §5705.41(B)**, prohibits a subdivision or taxing unit from making expenditures unless they have been properly appropriated

In fiscal year 2008, the District entered into a capital lease transaction for energy improvements to various buildings. The terms of the capital lease agreement provided the District would receive \$1,900,000 in proceeds to be used toward such improvements. In compliance with ORC § 5705.10(F), the District was required to place these funds into a capital projects fund. The proceeds, however, were never placed with the District's Treasurer. Rather, the funds were placed with the District's fiscal agent. As such, the District did not record the receipt and expenditure of this money, nor amend their estimated resources or appropriations to reflect this activity.

The Treasurer should record memo entries to post revenue and expenditures to the District's financial records, certify the available resources to the County Budget Commission, and adopt appropriations for activity associated with this project.

FINDING NUMBER 2008-003

Significant Deficiency

Financial Reporting

As a result of the audit procedures performed the following errors were noted in the financial statements that required adjustment:

- \$944,048 representing an adjustment to taxes receivable in the General Fund;
- \$35,348 representing an adjustment to taxes receivable in the Capital Projects fund;
- Omission of on behalf activity consisting of capital lease proceeds of \$1,900,000, interest revenue of \$5,317, and disbursements in the amount of \$390,848 from the Districts financial records (activity was included in the financial statements during the GAAP conversion).

Additional errors were noted that did not require adjustment to the financial statements consisting primarily of errors in the classification of certain revenues and expenditures. Additional corrections were required to the notes to the financial statements.

**FINDING NUMBER 2008-003
(Continued)**

Sound financial reporting is the responsibility of the Treasurer and the Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To ensure the District's financial statements and notes to the statements are complete and accurate, the District should adopt policies and procedures, including a final review of the statements and notes by the Treasurer and Board of Education, to identify and correct errors and omissions.

Officials' Response:

We did not receive a response from Officials to the findings reported above.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None.



Mary Taylor, CPA
Auditor of State

PERKIN 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
JUNE 23, 2009**