

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

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

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2012**

LISA M. CRESCIMANO, TREASURER



Dave Yost • Auditor of State

Board of Education
Perkins Local School District
3714 Campbell Street, Suite B
Sandusky Ohio 44870

We have reviewed the *Independent Accountants' Report* of the Perkins Local School District, Erie County, prepared by Julian & Grube, Inc., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

January 9, 2013

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

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

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Independent Accountants' Report

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

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, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Perkins Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Perkins Local School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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, 2012, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2012, on our consideration of the Perkins Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Independent Accountants' Report
Perkins Local School District
Page Two

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

We conducted our audit to opine on the financial statements that collectively comprise the Perkins Local School District's basic financial statements taken as a whole. The Schedule of Receipts and Expenditures of Federal Awards provides additional information required by the 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. The Schedule of Receipts and Expenditures of Federal Awards is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Julian & Grube, Inc.
November 19, 2012

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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, 2012. 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 2012 are as follows:

- In total, net assets of governmental activities decreased \$1,108,801 which represents a 8.17% decrease from 2011.
- General revenues accounted for \$20,007,760 in revenue or 75.73% of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$6,412,602 or 24.27% of total revenues of \$26,420,362.
- The District had \$27,529,163 in expenses related to governmental activities; only \$6,412,602 of these expenses were offset by program-specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$20,007,760 were not 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 \$22,180,913 in revenues and other financing sources and \$24,474,456 in expenditures and other financing uses. During fiscal year 2012, the general fund's fund balance decreased \$2,280,651 from a balance of \$5,142,363 to a balance of \$2,861,712.
- The permanent improvement fund had \$3,713,517 in revenues and other financing sources and \$4,946,572 in expenditures and other financing uses. During fiscal year 2012, the permanent improvement fund's fund balance decreased \$1,233,055 from a balance of \$268,479 to a deficit of \$964,576.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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 the District do financially during fiscal year 2012?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-51 of this report.

The District as a Whole

The table below provides a summary of the District's net assets at June 30, 2012 and June 30, 2011.

	Net Assets	
	Governmental Activities 2012	Governmental Activities 2011
	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Current and other assets	\$ 20,658,084	\$ 22,642,197
Capital assets, net	<u>10,641,000</u>	<u>8,059,935</u>
Total assets	<u>31,299,084</u>	<u>30,702,132</u>
<u>Liabilities</u>		
Current liabilities	14,903,270	13,421,269
Long-term liabilities	<u>3,926,383</u>	<u>3,702,631</u>
Total liabilities	<u>18,829,653</u>	<u>17,123,900</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	9,247,668	6,445,079
Restricted	792,267	1,381,585
Unrestricted	<u>2,429,496</u>	<u>5,751,568</u>
Total net assets	<u>\$ 12,469,431</u>	<u>\$ 13,578,232</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the District's assets exceeded liabilities by \$12,469,431. The District's capital assets and net assets invested in capital assets, net of related debt, increased during 2012 primarily due to construction in progress related to the District's stadium construction project.

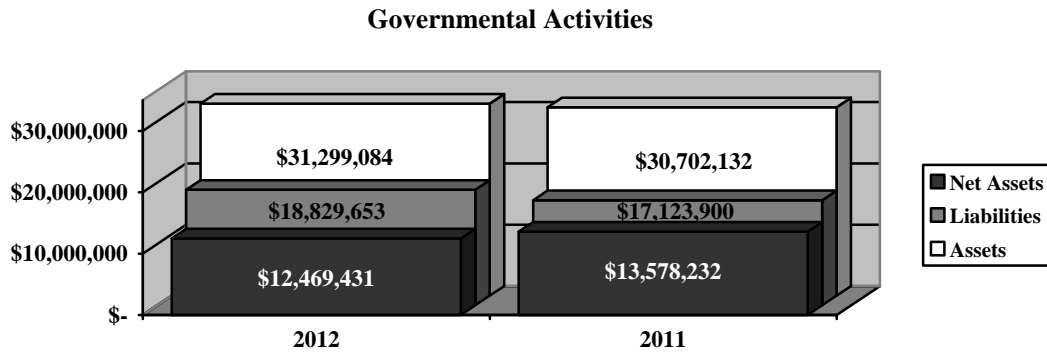
**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

At fiscal year-end, capital assets represented 34.00% 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, 2012, were \$9,247,668. 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, \$792,267, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$2,429,496 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below presents the District's governmental assets, liabilities and net assets at June 30, 2012 and June 30, 2011.



The table below shows the change in net assets for fiscal years 2012 and 2011.

	Change in Net Assets	
	Governmental Activities 2012	Governmental Activities 2011
Revenues		
Program revenues:		
Charges for services and sales	\$ 4,223,821	\$ 4,023,043
Operating grants and contributions	1,438,704	2,218,675
Capital grants and contributions	750,077	-
General revenues:		
Property taxes	12,225,200	12,493,638
Grants and entitlements	7,300,486	7,891,126
Payment in lieu of taxes	-	167,329
Investment earnings	11,333	13,845
Other	470,741	46,748
Total revenues	<u>26,420,362</u>	<u>26,854,404</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Change in Net Assets	
	Governmental Activities 2012	Governmental Activities 2011
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 12,670,579	\$ 11,564,985
Special	3,096,021	3,618,217
Vocational	204,580	203,548
Other	762,357	628,402
Support services:		
Pupil	1,892,626	1,666,212
Instructional staff	1,815,748	3,410,467
Board of education	75,565	38,294
Administration	1,568,682	1,688,830
Fiscal	556,160	546,482
Business	-	21,480
Operations and maintenance	1,905,955	1,993,807
Pupil transportation	1,041,008	1,004,304
Central	158,598	107,110
Operations of non-instructional services:		
Food service operations	896,932	968,170
Other non-instructional services	52,303	52,112
Extracurricular activities	732,186	677,949
Interest and fiscal charges	99,863	120,803
Total expenses	<u>27,529,163</u>	<u>28,311,172</u>
Change in net assets	(1,108,801)	(1,456,768)
Net assets at beginning of year	<u>13,578,232</u>	<u>15,035,000</u>
Net assets at end of year	<u>\$ 12,469,431</u>	<u>\$ 13,578,232</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$1,108,801. Total governmental expenses of \$27,529,163 were offset only partially by program revenues of \$6,412,602 and general revenues of \$20,007,760. Program revenues supported 23.29% of the total governmental expenses.

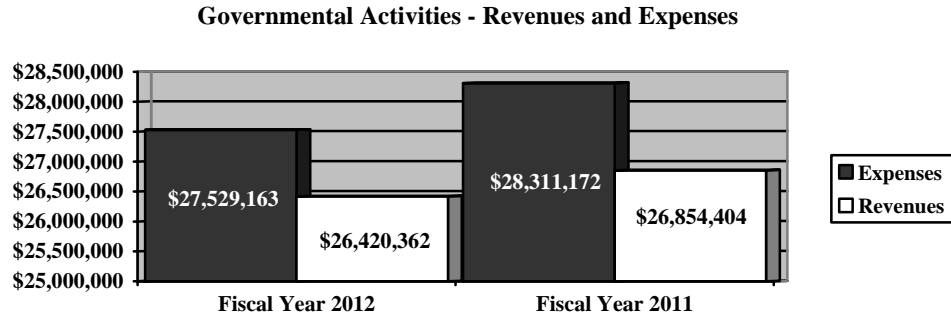
The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These two revenue sources represent 73.90% of total governmental revenue. Operating grants and contributions program revenues decreased 35.15%, primarily due to the reduction in federal funding from education jobs, IDEA Part B, and state fiscal stabilization grants, the revenues of which decreased \$311,837, \$242,603, and \$308,134, respectively, during fiscal year 2012; in the governmental activities, these grants were recognized as revenue in the year in which the District was granted funding, while on the fund financial statements the District did not recognize revenue until grant proceeds were received or available for spending (see Note 2.D). Partially offsetting this reduction in operating grants, the District received \$750,077 in capital contributions to support the construction of a new stadium at Perkins High School. The District also received \$405,753 from the sale of various assets that did not formerly meet the District's criteria for capitalization. This amount is a significant component in arriving at the net \$423,993 increase in other revenues.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The largest expense of the District is for instructional programs. Instruction expenses totaled \$16,733,537 or 60.78% of total governmental expenses for fiscal year 2012.

The graph below presents the District's governmental revenues and expenses for fiscal years 2012 and 2011.



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

Governmental Activities

	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
Program expenses				
Instruction:				
Regular	\$ 12,670,579	\$ 9,801,771	\$ 11,564,985	\$ 8,632,980
Special	3,096,021	1,887,147	3,618,217	2,289,783
Vocational	204,580	203,599	203,548	202,567
Other	762,357	762,357	628,402	616,444
Support services:				
Pupil	1,892,626	1,725,711	1,666,212	1,471,782
Instructional staff	1,815,748	1,642,729	3,410,467	3,224,980
Board of education	75,565	75,565	38,294	38,294
Administration	1,568,682	1,550,284	1,688,830	1,642,187
Fiscal	556,160	504,023	546,482	543,902
Business	-	-	21,480	21,480
Operations and maintenance	1,905,955	1,791,085	1,993,807	1,958,121
Pupil transportation	1,041,008	815,821	1,004,304	839,116
Central	158,598	(138,884)	107,110	76,377
Operations of non-instructional services:				
Food service operations	896,932	(108,103)	968,170	(52,496)
Other non-instructional services	52,303	3,042	52,112	358
Extracurricular activities	732,186	500,551	677,949	442,776
Interest and fiscal charges	99,863	99,863	120,803	120,803
Total expenses	<u>\$ 27,529,163</u>	<u>\$ 21,116,561</u>	<u>\$ 28,311,172</u>	<u>\$ 22,069,454</u>

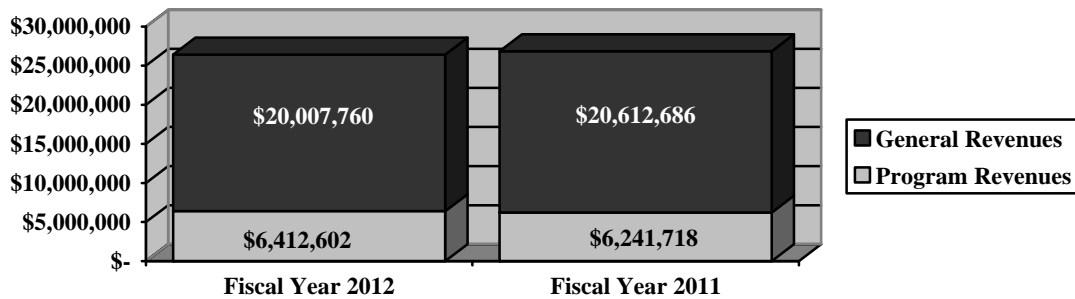
**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

The dependence upon tax and other general revenues for governmental activities is apparent, 75.63% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 76.71%. 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 2012 and 2011.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$2,718,066, which is lower than last year's balance of \$6,055,552. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and June 30, 2011.

	Fund Balance (Deficit) June 30, 2012	Fund Balance June 30, 2011	Increase (Decrease)
General	\$ 2,861,712	\$ 5,142,363	\$(2,280,651)
Permanent improvement	(964,576)	268,479	(1,233,055)
Other governmental	<u>820,930</u>	<u>644,710</u>	<u>176,220</u>
Total	<u>\$ 2,718,066</u>	<u>\$ 6,055,552</u>	<u>\$(3,337,486)</u>

General Fund

The District's general fund balance decreased \$2,280,651 during fiscal year 2012. During fiscal year 2012, the District authorized an unvoted permanent improvement levy and moved inside millage from the general fund to the permanent improvement fund. This action, as well as lower advances available from the Erie County auditor, resulted in a 14.41% decrease in general fund property tax revenue. Intergovernmental revenues decreased \$730,832 due to lower State reimbursement for tangible personal property tax losses and homestead and rollback, a portion of which was also moved to the District's permanent improvement fund. Tuition revenue in the general fund increased \$372,348, or 13.14%, from the prior year because of higher tuition reimbursements from other Districts and increased revenue from open enrollment. Other revenues fell 6.50% from fiscal year 2011, primarily due to decreased contributions and donations not restricted to be used for specific programs. Earnings on investments decreased 16.96%, but remained consistent in dollar amount with the prior year.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

During fiscal year 2012 the District entered into a capital lease agreement for computer equipment; the present value of lease payments was recorded as capital outlay as of the date of acquisition. Capital outlay of \$1,479,280 associated with the capital lease is significantly higher than capital outlay of \$263,726 associated with lease agreements initiated during fiscal year 2011. The District awarded more scholarships during the year, resulting in increased expenditures for operation of non-instructional services. Further, support services and extracurricular activities expenditures increased 3.14% and 6.01%, respectively, due to increased wages and benefits, while facilities acquisition and construction purchases for architectural services during fiscal year 2012 were 49.33% lower than related expenditures in 2011.

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

	2012 Amount	2011 Amount	Increase (Decrease)	Percentage Change
<u>Revenues</u>				
Taxes	\$ 10,009,444	\$ 11,694,403	\$ (1,684,959)	(14.41) %
Tuition	3,205,104	2,832,756	372,348	13.14 %
Earnings on investments	11,333	13,648	(2,315)	(16.96) %
Intergovernmental	7,025,627	7,756,459	(730,832)	(9.42) %
Other revenues	<u>407,372</u>	<u>435,690</u>	<u>(28,318)</u>	(6.50) %
Total	<u>\$ 20,658,880</u>	<u>\$ 22,732,956</u>	<u>\$ (2,074,076)</u>	(9.12) %
<u>Expenditures</u>				
Instruction	\$ 13,978,776	\$ 14,028,581	\$ (49,805)	(0.36) %
Support services	8,417,454	8,161,435	256,019	3.14 %
Operation of non-instructional services	52,303	47,627	4,676	9.82 %
Extracurricular activities	516,750	487,455	29,295	6.01 %
Facilities acquisition and construction	26,879	53,052	(26,173)	(49.33) %
Capital outlay	<u>1,479,280</u>	<u>263,726</u>	<u>1,215,554</u>	460.92 %
Total	<u>\$ 24,471,442</u>	<u>\$ 23,041,876</u>	<u>\$ 1,429,566</u>	6.20 %

Permanent Improvement Fund

The permanent improvement fund had \$3,713,517 in revenues and other financing sources and \$4,946,572 in expenditures and other financing uses. During fiscal year 2012, the permanent improvement fund's fund balance decreased \$1,233,055 from a balance of \$268,479 to a deficit of \$964,576. This deficit results from accrued liabilities related to contracts for the District's stadium construction project.

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 2012, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$22,490,559, while final budgeted revenues and other financing sources were \$21,000,223. Actual revenues and other financing sources for fiscal year 2012 were \$21,520,194. This represents a \$519,971 increase from final budgeted revenues.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

General fund original appropriations (appropriated expenditures including other financing uses) of \$24,249,476 were increased to \$24,283,384 in the final budget. Actual budgetary basis expenditures and other financing uses for fiscal year 2012 totaled \$23,778,066, \$505,318 lower than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the District had \$10,641,000 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. This entire amount is reported in governmental activities.

The table that follows shows June 30, 2012 balances compared to June 30, 2011:

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

	Governmental Activities	
	2012	2011
Land	\$ 647,925	\$ 647,925
Construction in progress	2,623,839	17,771
Land improvements	618,672	616,457
Buildings and improvements	4,696,912	5,085,253
Furniture and equipment	1,430,431	1,061,335
Vehicles	623,221	631,194
Total	\$ 10,641,000	\$ 8,059,935

The overall increase in capital assets of \$2,581,065 is due to capital outlay of \$3,282,423 exceeding depreciation expense of \$593,694 and disposals of \$107,664 (net of accumulated depreciation) in the current period.

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

Debt Administration

At June 30, 2012, the District had \$2,559,009 in capital lease obligations outstanding. Of this total, \$704,787 is due within one year and \$1,854,222 is due in greater than one year. The following table summarizes the capital lease obligations outstanding at June 30, 2012 and June 30, 2011.

Outstanding Debt at June 30

	Governmental Activities 2012	Governmental Activities 2011
	2012	2011
Capital lease obligation - H.B. 264 Project	\$ 1,393,332	\$ 1,519,999
Capital lease obligation - Apple Equipment	1,165,677	872,142
Total	\$ 2,559,009	\$ 2,392,141

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The capital lease obligation for the HB264 project is scheduled to mature in fiscal year 2023. The capital lease obligation for Apple equipment is scheduled to mature in fiscal year 2014. Payment of principal and interest for the District's capital leases are made from the debt service fund.

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

Current Financial Related Activity

The Perkins Board of Education and administration have carefully managed the District's general fund budget in order to optimize the dollars available for educating the students it serves and to minimize the levy millage required from taxpayers. Sound fiscal management has enabled the District to maintain a healthy cash balance and continue a quality, comprehensive educational program. During fiscal year 2012, the District received \$2,619,235 in tuition revenue from open enrollment which allowed that the District continue operating effectively. Local funding makes up approximately 60% of the District's general operating revenue and becomes increasingly more critical to District operations as the state continues to face its own economic challenges.

The District estimates that its ending cash balance and estimated fiscal year 2013 revenues will be sufficient to satisfy operating expenses during the coming year; however, projections estimate that operating expenses will exceed operating revenues for the duration of the District's five-year forecast. The Board will continue to evaluate all aspects of its operations, making prudent decisions where appropriate, in order to maximize its resources and offer excellent educational offerings.

The financial future of the Perkins Local School District is not without challenges, imposed both internally and externally. 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 its biennium budgets. In the biennium budget adopted by the State of Ohio in July 2011, the District will experience a decrease of 9.2% in funding from the State. As a result of the loss of federal stimulus funds, the scaling back of the state's reimbursement for ending the tangible personal property tax, and redirection of revenue from other, more obscure taxes that funded schools, the District must seek other revenue sources or carefully monitor its spending going forward.

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

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

Contacting the District's Financial Management

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

**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 5,253,043
Cash with fiscal agent	1,771
Cash with escrow agent	77,975
Receivables:	
Property taxes	14,837,674
Payment in lieu of taxes	288,023
Accounts	11,127
Intergovernmental	24,647
Accrued interest	91
Prepayments	49,882
Materials and supplies inventory	113,851
Capital assets:	
Land and construction in progress	3,271,764
Depreciable capital assets, net	7,369,236
Capital assets, net.	10,641,000
 Total assets	 31,299,084
 Liabilities:	
Accounts payable	137,586
Contracts payable	1,541,654
Retainage payable	23,997
Accrued wages and benefits	2,006,326
Pension obligation payable	557,816
Intergovernmental payable	129,570
Unearned revenue	10,482,712
Accrued interest payable	21,838
Matured bonds payable	1,771
Long-term liabilities:	
Due within one year	961,030
Due in more than one year	2,965,353
 Total liabilities	 18,829,653
 Net Assets:	
Invested in capital assets, net of related debt	9,247,668
Restricted for:	
State funded programs	56,603
Federally funded programs	3,014
Student activities	330,816
Other purposes	401,834
Unrestricted	2,429,496
 Total net assets.	 \$ 12,469,431

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	<u>Revenue and</u>
		<u>Services and Sales</u>	<u>and Contributions</u>	<u>and Contributions</u>	<u>Changes in</u>
					<u>Net Assets</u>
Governmental activities:					Governmental
					Activities
Instruction:					
Regular	\$ 12,670,579	\$ 2,748,611	\$ 110,165	\$ 10,032	\$ (9,801,771)
Special	3,096,021	600,063	608,811	-	(1,887,147)
Vocational	204,580	-	981	-	(203,599)
Other	762,357	-	-	-	(762,357)
Support services:					
Pupil	1,892,626	-	114,325	52,590	(1,725,711)
Instructional staff	1,815,748	-	28,822	144,197	(1,642,729)
Board of education	75,565	-	-	-	(75,565)
Administration	1,568,682	-	18,398	-	(1,550,284)
Fiscal	556,160	-	-	52,137	(504,023)
Operations and maintenance	1,905,955	33,537	3,390	77,943	(1,791,085)
Pupil transportation	1,041,008	59,033	34,975	131,179	(815,821)
Central	158,598	-	18,995	278,487	138,884
Operation of non-instructional services:					
Food service operations	896,932	573,510	431,525	-	108,103
Other non-instructional services	52,303	-	49,261	-	(3,042)
Extracurricular activities	732,186	209,067	19,056	3,512	(500,551)
Interest and fiscal charges	99,863	-	-	-	(99,863)
Total governmental activities	\$ 27,529,163	\$ 4,223,821	\$ 1,438,704	\$ 750,077	(21,116,561)

General Revenues:

Property taxes levied for:	
General purposes	9,981,977
Capital outlay	2,243,223
Grants and entitlements not restricted to specific programs	7,300,486
Investment earnings	11,333
Miscellaneous	470,741
Total general revenues	20,007,760
Change in net assets	(1,108,801)
Net assets at beginning of year	13,578,232
Net assets at end of year	\$ 12,469,431

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and investments	\$ 4,205,038	\$ 104,650	\$ 943,355	\$ 5,253,043
Cash with escrow agent	-	-	1,771	1,771
Cash in segregated accounts	-	77,975	-	77,975
Receivables:				
Property taxes	11,818,602	3,019,072	-	14,837,674
Payment in lieu of taxes	-	288,023	-	288,023
Accounts	11,092	-	35	11,127
Accrued interest	91	-	-	91
Interfund loans	9,778	-	-	9,778
Intergovernmental	-	-	24,647	24,647
Prepayments	46,142	3,740	-	49,882
Materials and supplies inventory	79,386	-	34,465	113,851
Total assets	<u>\$ 16,170,129</u>	<u>\$ 3,493,460</u>	<u>\$ 1,004,273</u>	<u>\$ 20,667,862</u>
Liabilities:				
Accounts payable	\$ 67,938	\$ 20,630	\$ 49,018	\$ 137,586
Contracts payable	-	1,541,654	-	1,541,654
Retainage payable	-	23,997	-	23,997
Accrued wages and benefits	1,947,285	-	59,041	2,006,326
Compensated absences payable	186,787	-	7,470	194,257
Interfund loans payable	-	-	9,778	9,778
Intergovernmental payable	126,728	-	2,842	129,570
Pension obligation payable	519,472	-	38,344	557,816
Matured bonds payable	-	-	1,771	1,771
Deferred revenue	2,562,789	286,671	14,869	2,864,329
Unearned revenue	7,897,418	2,585,084	210	10,482,712
Total liabilities	<u>13,308,417</u>	<u>4,458,036</u>	<u>183,343</u>	<u>17,949,796</u>
Fund Balances:				
Nonspendable:				
Materials and supplies inventory	79,386	-	34,465	113,851
Prepayments	46,142	3,740	-	49,882
Restricted:				
Food service operations	-	-	405,484	405,484
Other purposes	-	-	62,428	62,428
Extracurricular	-	-	330,816	330,816
Assigned:				
Student instruction	19,179	-	-	19,179
Student and staff support	201,904	-	-	201,904
Subsequent year appropriations	2,430,495	-	-	2,430,495
Other purposes	84,606	-	-	84,606
Unassigned (deficit)	-	(968,316)	(12,263)	(980,579)
Total fund balances (deficit)	<u>2,861,712</u>	<u>(964,576)</u>	<u>820,930</u>	<u>2,718,066</u>
Total liabilities and fund balances	<u>\$ 16,170,129</u>	<u>\$ 3,493,460</u>	<u>\$ 1,004,273</u>	<u>\$ 20,667,862</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, 2012

Total governmental fund balances		\$	2,718,066
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			10,641,000
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Property taxes receivable	\$	2,840,259	
Accounts receivable		9,201	
Intergovernmental receivable		14,869	
Total		14,869	2,864,329
On the statement of net assets, interest is accrued on outstanding capital lease obligations, whereas in the governmental funds, interest is reported when due.			(21,838)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Capital lease obligations		(2,559,009)	
Compensated absences		(1,173,117)	
Total		(3,732,126)	(3,732,126)
Net assets of governmental activities		\$	12,469,431

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, 2012

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 10,009,444	\$ 2,056,184	\$ -	\$ 12,065,628
Payment in lieu of taxes	-	167,329	-	167,329
Tuition	3,205,104	-	-	3,205,104
Transportation fees	32,664	-	-	32,664
Earnings on investments	11,333	77	730	12,140
Charges for services	-	-	578,015	578,015
Extracurricular	44,258	-	191,178	235,436
Classroom materials and fees	140,693	-	-	140,693
Rental income	19,831	-	-	19,831
Contributions and donations	76,820	750,000	14,582	841,402
Contract services	2,877	-	-	2,877
Other local revenues	90,229	-	-	90,229
Intergovernmental - state	6,976,418	376,927	55,170	7,408,515
Intergovernmental - federal	49,209	-	1,386,954	1,436,163
Total revenues	<u>20,658,880</u>	<u>3,350,517</u>	<u>2,226,629</u>	<u>26,236,026</u>
Expenditures:				
Current:				
Instruction:				
Regular	10,497,314	6,669	239,095	10,743,078
Special	2,528,434	-	525,835	3,054,269
Vocational	190,671	-	-	190,671
Other	762,357	-	-	762,357
Support services:				
Pupil	1,782,576	34,962	110,698	1,928,236
Instructional staff	1,609,737	95,863	28,366	1,733,966
Board of education	75,565	-	-	75,565
Administration	1,549,501	-	32,491	1,581,992
Fiscal	535,695	34,661	-	570,356
Business	1,433	-	-	1,433
Operations and maintenance	1,821,900	51,817	6,901	1,880,618
Pupil transportation	912,944	87,208	27,915	1,028,067
Central	128,103	185,139	7,200	320,442
Operation of non-instructional services:				
Food service operations	-	-	878,469	878,469
Other non-instructional services	52,303	-	-	52,303
Extracurricular activities	516,750	2,335	174,469	693,554
Facilities acquisition and construction	26,879	3,021,610	-	3,048,489
Capital outlay	1,479,280	-	-	1,479,280
Debt service:				
Principal retirement	-	-	1,312,412	1,312,412
Interest and fiscal charges	-	-	113,896	113,896
Total expenditures	<u>24,471,442</u>	<u>3,520,264</u>	<u>3,457,747</u>	<u>31,449,453</u>
Excess of expenditures over revenues	(3,812,562)	(169,747)	(1,231,118)	(5,213,427)
Other financing sources (uses):				
Sale of assets	42,753	363,000	-	405,753
Transfers in	-	-	1,429,322	1,429,322
Transfers (out)	(3,014)	(1,426,308)	-	(1,429,322)
Capital lease transaction	1,479,280	-	-	1,479,280
Total other financing sources (uses)	<u>1,519,019</u>	<u>(1,063,308)</u>	<u>1,429,322</u>	<u>1,885,033</u>
Net change in fund balances	(2,293,543)	(1,233,055)	198,204	(3,328,394)
Fund balances at beginning of year	5,142,363	268,479	644,710	6,055,552
Increase (decrease) in reserve for inventory . .	12,892	-	(21,984)	(9,092)
Fund balances (deficit) at end of year	\$ 2,861,712	\$ (964,576)	\$ 820,930	\$ 2,718,066

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, 2012

Net change in fund balances - total governmental funds	\$	(3,328,394)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.		
Capital asset additions	\$ 3,282,423	
Current year depreciation	<u>(593,694)</u>	
Total		2,688,729
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, donations, and changes in capitalization threshold) is to decrease net assets.		
		(107,664)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		(9,092)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	159,572	
Payment in lieu of taxes	(167,329)	
Rental income	9,201	
Intergovernmental	<u>(222,861)</u>	
Total		(221,417)
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		1,312,412
Issuances of capital leases are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as revenue as they increase liabilities on the statement of net assets.		
		(1,479,280)
In the statement of activities, interest is accrued on outstanding capital lease obligations, whereas in governmental funds, an interest expenditure is reported when due.		
		14,033
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>21,872</u>
Change in net assets of governmental activities	\$	<u><u>(1,108,801)</u></u>

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, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 11,314,709	\$ 10,349,586	\$ 10,349,586	\$ -
Tuition	3,141,438	2,985,084	3,205,104	220,020
Transportation fees	41,974	39,885	39,886	1
Earnings on investments	11,787	11,200	11,204	4
Extracurricular	11,286	10,724	10,835	111
Classroom materials and fees	146,266	138,987	140,857	1,870
Rental income	13,581	12,905	19,831	6,926
Contributions and donations	2,260	2,148	11,948	9,800
Contract services	3,019	2,869	2,877	8
Other local revenues	68,390	64,986	64,988	2
Intergovernmental - state	7,060,753	6,709,331	6,987,073	277,742
Intergovernmental - federal	51,786	49,208	49,209	1
Total revenues	21,867,249	20,376,913	20,893,398	516,485
Expenditures:				
Current:				
Instruction:				
Regular	10,835,144	10,850,641	10,607,854	242,787
Special	2,547,950	2,551,594	2,522,339	29,255
Vocational	197,812	198,095	195,814	2,281
Other	759,753	760,840	758,129	2,711
Support services:				
Pupil	1,831,837	1,834,457	1,793,948	40,509
Instructional staff	1,809,822	1,812,411	1,769,703	42,708
Board of education	40,753	40,811	35,619	5,192
Administration	1,580,768	1,583,029	1,559,190	23,839
Fiscal	558,703	559,502	545,826	13,676
Business	2,600	2,604	1,341	1,263
Operations and maintenance	1,931,111	1,933,873	1,897,101	36,772
Pupil transportation	925,454	926,778	906,351	20,427
Central	108,222	108,377	94,317	14,060
Extracurricular activities	504,886	505,608	504,801	807
Facilities acquisition and construction	71,869	71,972	42,941	29,031
Total expenditures	23,706,684	23,740,592	23,235,274	505,318
Excess expenditures over revenues	(1,839,435)	(3,363,679)	(2,341,876)	1,021,803
Other financing sources (uses):				
Refund of prior year's expenditures	29,451	29,451	32,936	3,485
Transfers (out)	(3,014)	(3,014)	(3,014)	-
Advances in	551,107	551,107	551,107	-
Advances (out)	(539,778)	(539,778)	(539,778)	-
Sale of capital assets	42,752	42,752	42,753	1
Total other financing sources (uses)	80,518	80,518	84,004	3,486
Net change in fund balance	(1,758,917)	(3,283,161)	(2,257,872)	1,025,289
Fund balance at beginning of year	5,629,390	5,629,390	5,629,390	-
Prior year encumbrances appropriated	487,720	487,720	487,720	-
Fund balance at end of year	\$ 4,358,193	\$ 2,833,949	\$ 3,859,238	\$ 1,025,289

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and investments. . . .	\$ 90,177	\$ 95,293
Receivables:		
Property taxes.	-	696,531
Total assets.	90,177	\$ 791,824
Liabilities:		
Accounts payable.	-	\$ 2,512
Intergovernmental payable	-	696,706
Due to students.	-	92,606
Total liabilities.	-	\$ 791,824
Net assets:		
Held in trust for scholarships.	90,177	
Total net assets.	\$ 90,177	

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, 2012

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 40
Gifts and contributions	7,320
Total additions.	7,360
 Deductions:	
Scholarships awarded	8,100
Change in net assets.	(740)
Net assets at beginning of year	90,917
Net assets at end of year.	\$ 90,177

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

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

The District operates 2 elementary schools, 1 middle school and 1 comprehensive high school. The District employs 106 non-certified employees and 157 certified (including 14 administrative) employees to provide services to approximately 2,467 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) guidance issued on or before November 30, 1989, to its governmental activities provided it does not conflict with or contradict GASB pronouncements. The District’s significant accounting policies are described below.

A. Reporting Entity

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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 \$43,696 to the BACG. Members of the Board serve staggered two-year terms. Financial information can be obtained by contacting the North Point Educational Service Center, which serves as fiscal agent, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

Tri-Rivers Educational Computer Association (TRECA)

TRECA is a jointly governed organization among 36 school districts. TRECA was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to the administrative and instructional functions of member districts. Each of the governments of these schools supports TRECA based upon a per pupil charge, dependent upon the software package utilized. TRECA is governed by a Board of Directors consisting of superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. In the event of the dissolution of TRECA, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months' financial contributions. Financial information is available from Mike Carder, Director, at 100 Executive Drive, Marion, Ohio 43302. During fiscal year 2012, the District paid \$39,780 to TRECA for its services.

North Point Purchasing Cooperative

The North Point Purchasing Cooperative ("the Cooperative") is composed of 15 school districts in four counties. The purpose of the Cooperative is to obtain competitive prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the Cooperative; currently there are no fees assessed to the members. There are nine Directors elected from the member districts. Any district withdrawing from the Cooperative forfeits its claim to any and all Cooperative assets. Sixty days notice is necessary prior to withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. To obtain further information regarding the Cooperative, contact the North Point Purchasing Cooperative, Matt Bauer, who serves as Administrator, at 2900 Columbus Avenue, Sandusky, Ohio 44870.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

PUBLIC ENTITY RISK POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

Huron-Erie School Employees Insurance Association

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

RELATED ORGANIZATION

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net 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.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

D. Basis of Accounting

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

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 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, 2012 are recorded as deferred revenue on the governmental fund financial statements.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

E. Budgets

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

Tax Budget:

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

Estimated Resources:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

Appropriations:

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

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

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

Encumbrances:

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year end appear as a portion of the restricted, committed or assigned to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 15 provides a reconciliation of the budgetary and GAAP basis of accounting.

F. Cash and Investments

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

During fiscal year 2012, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio), negotiable certificates of deposit and a U.S. government money market mutual fund. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2012.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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 or the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2012 amounted to \$11,333, which includes \$1,492 assigned from other District funds.

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

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

G. Inventory

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

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

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

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

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivable/payable”. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

M. Net Assets

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

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

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year end, because prepayments are not available to finance future governmental fund expenditures, a nonspendable fund balance equal to the carrying value of the asset is recorded 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, 2012

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 2012.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2012, the District has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2012 included the following individual fund deficits:

<u>Major fund</u>	<u>Deficit</u>
Permanent improvement	\$ 964,576
 <u>Nonmajor funds</u>	
Title I	3,880
Improving teacher quality	8,383

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

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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

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

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

A. Cash on Hand

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

B. Cash with Escrow Agent

At fiscal year end, \$77,975 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 10.B.). 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, 2012 balance of the escrow account is reported on the financial statements as "cash with escrow agent".

C. Cash with Fiscal Agent

At fiscal year end, \$1,771 was on deposit in the District's debt service clearing account. This amount is not part of the District's internal investment pool and has been excluded from the total amount of deposits reported below. The June 30, 2012 balance of this account is reported on the financial statements as "cash with fiscal agent".

D. Deposits with Financial Institutions

At June 30, 2012, the carrying amount of all District deposits was \$1,629,464. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, \$2,207,757 of the District's bank balance of \$2,634,378 was exposed to custodial risk as discussed below, while \$426,621 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

E. Investments

As of June 30, 2012, 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	\$ 3,408,411	\$ 3,408,411
Negotiable certificates of deposit	399,870	399,870
U.S. government money market	<u>168</u>	<u>168</u>
Total	<u>\$ 3,808,449</u>	<u>\$ 3,808,449</u>

Interest Rate Risk: The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The District's investment policy addresses interest rate risk by requiring the consideration of market conditions and cash flow requirements in determining the term of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five year or less.

Credit Risk: STAR Ohio was rated AAAM and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. Standard & Poor's has assigned the U.S. government money market mutual fund an AAAM money market rating. The negotiable certificates of deposit were not rated. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

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

Concentration of Credit Risk: The District's investment policy addresses concentration of credit risk by encouraging diversification to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issue or a specific class of securities.

The following table includes the percentage of each investment type held by the District at June 30, 2012:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 3,408,411	89.50
Negotiable certificates of deposit	399,870	10.50
U.S. government money market	<u>168</u>	<u>-</u>
Total	<u>\$ 3,808,449</u>	<u>100.00</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2012:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,629,464
Investments	3,808,449
Cash with escrow agent	77,975
Cash with fiscal agent	1,771
Cash on hand	<u>600</u>
Total	<u>\$ 5,518,259</u>

<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 5,332,789
Private-purpose trust fund	90,177
Agency fund	<u>95,293</u>
Total	<u>\$ 5,518,259</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund balances at June 30, 2012 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 9,778</u>

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

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

- B.** Interfund transfers for the year ended June 30, 2012, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
<u>Transfers from the general fund to:</u>	
Nonmajor governmental funds	\$ 3,014
<u>Transfers from the permanent improvement fund to:</u>	
Nonmajor governmental funds	<u>1,426,308</u>
Total	<u>\$ 1,429,322</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

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

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

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

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Erie County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available as an advance at June 30, 2012 was \$1,367,631 in the general fund and \$435,340 in the permanent improvement fund. This amount is recorded as revenue. The amount available for advance at June 30, 2011 was \$1,707,773 in the general fund and \$100,345 in the permanent improvement fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 6 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2012 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue. On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been deferred.

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 442,231,090	97.60	\$ 442,112,270	97.54
Public utility personal	<u>10,876,010</u>	<u>2.40</u>	<u>11,152,600</u>	<u>2.46</u>
Total	<u>\$ 453,107,100</u>	<u>100.00</u>	<u>\$ 453,264,870</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation		\$62.40		\$62.40

NOTE 7 - RECEIVABLES

Receivables at June 30, 2012 consisted of taxes, intergovernmental grants and entitlements, accounts, accrued interest and payment in lieu of taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:

Property taxes	\$ 14,837,674
Payment in lieu of taxes	288,023
Intergovernmental	24,647
Accounts	11,127
Accrued interest	<u>91</u>
Total	<u>\$ 15,161,562</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, 2012

NOTE 8 - PAYMENT IN LIEU OF TAXES

The District has entered into a tax incremental financing agreement with a local company for the purpose of various improvements and developments. To encourage these improvements, the company was granted an exemption from paying property taxes on the improvements and developments; however, payments in lieu of taxes are made to the District in an amount equal to the property taxes that otherwise would have been due in the current year. These payments are being used to finance the District's permanent improvements and will continue through fiscal year 2020. In the governmental fund financial statements, the District recorded payment in lieu of taxes revenue of \$167,329 in the permanent improvement fund during fiscal year 2012.

NOTE 9 - CAPITAL ASSETS

Capital asset activity for fiscal year 2012 is as follows:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 647,925	\$ -	\$ -	\$ 647,925
Construction in progress	<u>17,771</u>	<u>2,623,839</u>	<u>(17,771)</u>	<u>2,623,839</u>
Total capital assets, not being depreciated	<u>665,696</u>	<u>2,623,839</u>	<u>(17,771)</u>	<u>3,271,764</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,390,945	58,364	-	1,449,309
Building and improvements	15,450,983	-	(107,833)	15,343,150
Furniture and equipment	2,343,505	535,063	(15,804)	2,862,764
Vehicles	<u>1,903,627</u>	<u>82,928</u>	<u>-</u>	<u>1,986,555</u>
Total capital assets, being depreciated	<u>21,089,060</u>	<u>676,355</u>	<u>(123,637)</u>	<u>21,641,778</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(774,488)	(56,149)	-	(830,637)
Building and improvements	(10,365,730)	(284,102)	3,594	(10,646,238)
Furniture and equipment	(1,282,170)	(162,542)	12,379	(1,432,333)
Vehicles	<u>(1,272,433)</u>	<u>(90,901)</u>	<u>-</u>	<u>(1,363,334)</u>
Total accumulated depreciation	<u>(13,694,821)</u>	<u>(593,694)</u>	<u>15,973</u>	<u>(14,272,542)</u>
Depreciable capital assets, net	<u>7,394,239</u>	<u>82,661</u>	<u>(107,664)</u>	<u>7,369,236</u>
Governmental activities capital assets, net	<u>\$ 8,059,935</u>	<u>\$ 2,706,500</u>	<u>\$ (125,435)</u>	<u>\$ 10,641,000</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 181,263
Special	14,740
Vocational	13,909
<u>Support services:</u>	
Pupil	8,164
Instructional staff	90,203
Administration	16,629
Operations and maintenance	91,293
Pupil transportation	87,652
Central	14,713
Extracurricular activities	46,533
Food service operations	<u>28,595</u>
Total depreciation expense	<u>\$ 593,694</u>

NOTE 10 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2012, the following changes occurred in governmental activities long-term obligations.

	Balance Outstanding <u>06/30/11</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/12</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
Capital lease obligation-Apple equipment	\$ 872,142	\$ 1,479,280	\$(1,185,745)	\$ 1,165,677	\$ 578,120
Capital lease obligation-HB264 project	1,519,999	-	(126,667)	1,393,332	126,667
Compensated absences	<u>1,310,490</u>	<u>248,626</u>	<u>(191,742)</u>	<u>1,367,374</u>	<u>256,243</u>
Total governmental activities	<u>\$ 3,702,631</u>	<u>\$ 1,727,906</u>	<u>\$(1,504,154)</u>	<u>\$ 3,926,383</u>	<u>\$ 961,030</u>

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

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

Capital lease payments are reflected as debt service expenditures in the debt service fund (a nonmajor governmental fund). Principal and interest payments in the 2012 fiscal year totaled \$126,667 and \$60,724, respectively.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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, 2012.

Fiscal Year Ending June 30,	Total
2013	\$ 182,223
2014	177,055
2015	171,887
2016	166,719
2017	161,551
2018 - 2022	730,235
2023	130,538
Total minimum lease payments	1,720,208
Less: amount representing interest	(326,876)
Present value of minimum lease payments	\$ 1,393,332

- C. *Capital Lease Obligation - Apple Equipment:* During fiscal years 2009, 2011 and 2012, the District entered into capitalized leases for computers and equipment. All leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases" which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

A total of \$4,117,154 of computer equipment has been acquired under the capital leases. Of this total, \$3,746,273 has not been capitalized as the computer equipment does not meet the District's capitalization threshold. The remaining computer equipment, \$370,881, has been capitalized as a capital asset equal to the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation on the capitalized computer equipment as of June 30, 2012, was \$28,435, leaving a current book value of \$342,446.

Principal payments in the 2012 fiscal year totaled \$1,185,745. This amount is reported as debt service payments in the debt service fund (a nonmajor governmental fund).

The following is a schedule of future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2012:

Fiscal Year Ending June 30,	Amount
2013	\$ 597,344
2014	597,345
Total minimum lease payments	1,194,689
Less: amount representing interest	(29,012)
Present value of minimum lease payments	\$ 1,165,677

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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, 2012, are a voted debt margin of \$40,793,838, an unvoted debt margin of \$453,265, and a debt limitation of \$4,079,384 for energy conservation.

NOTE 11 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Insurance Benefits

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2012, the District has contracted with the Ohio School Plan to provide insurance coverage in the following amounts:

<u>Limits of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
General liability:		
Each occurrence	\$ 5,000,000	\$ -
Aggregate	7,000,000	-
Fleet:		
Collision/Comprehensive	5,000,000	Buses 1,000 All Other 500
Umbrella liability	5,000,000	-
Building and contents	70,862,624	1,000

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

B. Huron-Erie School Employees Insurance Association

The District has contracted with the Huron-Erie School Employees Insurance Association (Association) to provide medical/surgical, dental, and life insurance benefits for its employees and their covered dependents. The Association is a shared risk pool comprised of 13 school districts that provide public education within Erie and Huron Counties. The Districts pay monthly contributions that are placed in a common fund from which eligible claims and expenses are paid for employees of participating school districts and their covered dependents. Claims are paid for all participants regardless of claims flow.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 12 - RISK MANAGEMENT - (Continued)

C. OSBA Group Workers' Compensation Rating Plan

For fiscal year 2012, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

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

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$417,117, \$357,423 and \$373,748, respectively; 54.03 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 13 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

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

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

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

Funding Policy - For fiscal year 2012, 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, 2012, 2011 and 2010 were \$1,509,312, \$1,438,635 and \$1,383,881, respectively; 83.59 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$33,961 made by the District and \$24,258 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, 2012, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$63,138, \$87,879 and \$69,051, respectively; 54.03 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$24,633, \$23,001 and \$22,226, respectively; 54.03 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, 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, 2012, 2011 and 2010 were \$116,101, \$110,664 and \$106,452, respectively; 83.59 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (2,257,872)
Net adjustment for revenue accruals	(358,089)
Net adjustment for expenditure accruals	(1,324,618)
Net adjustment for other sources/uses	1,435,015
Funds budgeted elsewhere	11,037
Adjustment for encumbrances	200,984
GAAP basis	<u>\$ (2,293,543)</u>

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

NOTE 16 - CONTINGENCIES

A. Grants and ADM

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data; however, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

B. Litigation

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

NOTE 17 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 17 - SET-ASIDES - (Continued)

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2011	\$ -
Current year set-aside requirement	402,797
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	-
Excess qualified expenditures from prior years	-
Current year offsets	(402,797)
Waiver granted by ODE	-
Prior year offset from bond proceeds	-
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2013	<u>\$ -</u>
Set-aside balance June 30, 2012	<u>\$ -</u>

NOTE 18 - DONOR RESTRICTED ENDOWMENTS

The District's private-purpose trust funds consist of donor restricted endowments and realized and unrealized appreciation on investments. Endowments, in the amount of \$74,695, represent the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the District is \$15,482 and is reflected as held in trust for scholarships. State law permits the District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide scholarships each year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 19 - CONTRACTUAL COMMITMENTS

As a result of construction in progress related to the District's stadium construction project at June 30, 2012, the District had the following outstanding contractual commitments at fiscal year-end:

<u>Vendor</u>	<u>Contract Amount</u>	<u>Costs Incurred</u>	<u>Contract Outstanding</u>
Architectual Collaborative, Inc.	\$ 221,602	\$ (221,602)	\$ -
Dave York Sports	712,878	(164,713)	548,165
Firelands Electric	7,690	-	7,690
Hughie's Audio Visual Service	24,922	(13,335)	11,587
Sports Equipment Specialists	23,260	(11,630)	11,630
Studer-Obringer, Inc.	2,089,330	(1,044,665)	1,044,665
The Vasco Group	1,167,500	(931,283)	236,217
Wagner Quarry	4,900	(4,900)	-
Total contractual commitments	<u>\$ 4,252,082</u>	<u>\$ (2,392,128)</u>	<u>\$ 1,859,954</u>

NOTE 20 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 175,250
Permanent improvement	1,700,313
Other governmental	<u>10,190</u>
Total	<u>\$ 1,885,753</u>

SUPPLEMENTARY DATA

**PERKINS LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Child Nutrition Grant Cluster:				
(D) (G) School Breakfast Program	10.553	2012	\$ 32,682	\$ 32,682
Total School Breakfast Program			<u>32,682</u>	<u>32,682</u>
(D) (G) National School Lunch Program	10.555	2012	378,600	378,600
(C) (D) National School Lunch Program / Food Donation	10.555	2012	53,810	53,810
Total National School Lunch Program			<u>432,410</u>	<u>432,410</u>
Total U.S. Department of Agriculture and Child Nutrition Grant Cluster			<u>465,092</u>	<u>465,092</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Title I Grant Cluster:				
(E) Title I Grants to Local Educational Agencies	84.010	2011	40,360	31,011
(E) Title I Grants to Local Educational Agencies	84.010	2012	193,167	202,944
Total Title I Grants to Local Educational Agencies			<u>233,527</u>	<u>233,955</u>
(E) ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2011	-	5
Total Title I Grant Cluster			<u>233,527</u>	<u>233,960</u>
Special Education Grant Cluster:				
(F) Special Education_Grants to States	84.027	2012	448,565	448,565
(F) Special Education_Preschool Grants	84.173	2012	11,260	11,260
(F) ARRA - Special Education Grants to States, Recovery Act	84.391	2011	2,693	2,693
Total Special Education Grant Cluster			<u>462,518</u>	<u>462,518</u>
Education Technology State Grants	84.318	2012	1,471	1,471
Improving Teacher Quality State Grants	84.367	2011	27,053	26,974
Improving Teacher Quality State Grants	84.367	2012	50,166	49,728
Total Improving Teacher Quality State Grants			<u>77,219</u>	<u>76,702</u>
Education Jobs	84.410	2011	21,028	-
Education Jobs	84.410	2012	179,461	179,461
Total Education Jobs			<u>200,489</u>	<u>179,461</u>
Total U.S. Department of Education			<u>975,224</u>	<u>954,112</u>
Total Federal Financial Assistance			<u>\$ 1,440,316</u>	<u>\$ 1,419,204</u>

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

- (A) OAKS did not assign pass-through number for fiscal year 2012.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at the entitlement value.
- (D) Included as part of the "Child Nutrition Grant Cluster" in determining major programs.
- (E) Included as part of the "Title I Grant Cluster" in determining major programs.
- (F) Included as part of the "Special Education Grant Cluster" in determining major programs.
- (G) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first in, first out basis.



Julian & Grube, Inc.
Serving Ohio Local Governments

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**Independent Accountants' Report on Internal Control Over Financial Reporting and
On Compliance and Other Matters Required by *Government Accounting Standards***

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

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, as of and for the fiscal year ended June 30, 2012, which collectively comprise Perkins Local School District's basic financial statements and have issued our report thereon dated November 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Board of Education
Perkins Local School District

Compliance and Other Matters

As part of reasonably assuring whether the Perkins Local School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

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

Julian & Grube, Inc.
November 19, 2012



Julian & Grube, Inc.
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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Accountants' Report on Compliance With Requirements Applicable to Each
Major Federal Program and on Internal Control Over Compliance
Required by OMB Circular A-133**

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

To the Board of Education:

Compliance

We have audited the compliance of the Perkins Local School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could directly and materially affect the Perkins Local School District's major federal program for the fiscal year ended June 30, 2012. The summary of auditor's results section of the accompanying schedule of findings identifies the Perkins Local School District's major federal program. The Perkins Local School 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 opine on the Perkins Local School District's compliance based on our audit.

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

In our opinion, the Perkins School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2012.

Internal Control Over Compliance

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

Board of Education
Perkins Local School District

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

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

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc." The signature is written in black ink and is positioned above the printed name of the firm.

Julian & Grube, Inc.
November 19, 2012

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012**

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

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Dave Yost • Auditor of State

PERKINS LOCAL SCHOOL DISTRICT

EIRE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 22, 2013