



Mary Taylor, CPA
Auditor of State

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets – Cash Basis – June 30, 2008	9
Statement of Activities – Cash Basis – For the Fiscal Year Ended June 30, 2008	10
Fund Financial Statements:	
Statement of Assets and Fund Balances - Cash Basis – Governmental Funds – June 30, 2008	11
Statement of Cash Receipts, Disbursements and Changes in Fund Balances – Cash Basis - Governmental Funds – For the Fiscal Year Ended June 30, 2008.....	12
Statement of Receipts, Disbursements and Change in Fund Cash Balance – Budget and Actual – Budget Basis - General Fund – For the Fiscal Year Ended June 30, 2008	13
Statement of Fiduciary Net Assets – Cash Basis - Fiduciary Funds – June 30, 2008	14
Statement of Changes in Fiduciary Net Assets – Cash Basis - Fiduciary Fund – For the Fiscal Year Ended June 30, 2008	15
Notes to the Basic Financial Statements	17
Schedule of Federal Awards Receipts and Expenditures	39
Notes to the Schedule of Federal Awards Receipts and Expenditures	40
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Governmental Auditing Standards</i>	41
Independent Accountants' Report on Compliance with Requirements Applicable to Major Federal Programs and on Internal Control Over Compliance in Accordance With OMB Circular A-133.....	43
Schedule of Findings.....	45
Schedule of Prior Audit Findings.....	47

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Perry Local School District
Allen County
2770 East Breese Road
Lima, Ohio 45806

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

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

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Perry Local School District, Allen County, as of June 30, 2008, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the fiscal year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Mary Taylor, CPA
Auditor of State

December 10, 2008

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

The discussion and analysis of Perry Local School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008, within the limitations of cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

HIGHLIGHTS

Key highlights for fiscal year 2008 are as follows:

- In total, net assets of governmental activities decreased \$53,269, which is not a significant change from the prior fiscal year. This was due, in part, to a moderate decrease in property tax collections, and a significant increase in expenditures.
- General revenues account for \$5,404,518 or 67 percent of all revenues received from governmental activities, and reflects the District's significant dependence on property taxes and unrestricted state entitlements.
- The District's personal property tax valuation is decreasing because of changes to state law that are phasing out the inventory portion of personal property tax. Cuts of state foundation funding have also negatively affected our balances. To compensate for these reductions, the Board of Education made cuts, and asked for new money from the voters in November 2004. This levy passed, and will generate \$500,000 in additional revenue annually. The District has maintained the budget cuts and will continue to reduce when possible.
- The District ended the fiscal year in the black, with a deficit projected on the five-year forecast in FY 2012. It is imperative that the Board continues to exercise fiscal caution in the current economic climate.

USING THE BASIC FINANCIAL STATEMENTS

Report Components

The statement of net assets and the statement of activities provide information about the activities of the District as a whole, presenting both an aggregate view of the District's finances and a longer-term view of those finances.

Fund financial statements provide a greater 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 non-major funds presented in total in a single column. For the District, the General Fund and the Debt Service Fund are the most significant funds.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE DISTRICT AS A WHOLE

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2008, on the cash basis of accounting.

The statement of net assets presents the cash balance of the governmental activities of the District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

These statements report the District's cash position and the changes in cash position. Factors which contribute to these changes may also 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, all of the District activities are presented as governmental activities. All of the District's programs and services are reported here including instruction, support services, non-instructional services, food services, extracurricular activities, and capital outlay disbursements.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its financial transactions, the fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund and Debt Service Fund.

Governmental Funds - All of the District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using the cash basis of accounting. 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 determine whether there are more or less financial resources that can be spent in the near future to finance educational programs. The District's significant governmental funds are presented on the financial statements in separate columns.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the District's programs.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

THE DISTRICT AS A WHOLE

Table 1 provides a summary of the District's net assets for fiscal year 2008 compared to fiscal year 2007 on the cash basis of accounting.

**Table 1
Net Assets**

	Governmental Activities 2008	Governmental Activities 2007
Assets:		
Cash and Cash Equivalents	\$3,145,585	\$3,198,854
Net Assets:		
Designated For:		
Budget Reserve		77,849
Restricted For:		
Capital Projects	38,586	61,908
Debt Service	405,168	364,668
Other Purpose	270,449	234,179
Unrestricted	2,431,382	2,460,250
Total Net Assets	\$3,145,585	\$3,198,854

Table 2 reflects the changes in net assets for fiscal year 2008 compared to fiscal year 2007 on the cash basis of accounting.

**Table 2
Changes in Net Assets**

	Governmental Activities 2008	Governmental Activities 2007
Receipts:		
Program Receipts		
Charges for Services and Sales	\$1,712,512	\$1,753,875
Operating Grants and Contributions	981,592	879,871
Total Program Receipts	2,694,104	2,633,746
General Receipts		
Property Taxes Levied for		
General Purpose	2,783,788	3,118,997
Debt Service	290,149	311,645
Capital Outlay	101,827	116,130
Grants and Entitlements	1,979,933	1,895,086
Interest	153,977	178,195
Miscellaneous	94,844	60,469
Total General Receipts	5,404,518	5,680,522
Total Receipts	8,098,622	8,314,268

(Continued)

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

**Table 2
Change in Net Assets
(Continued)**

	Governmental Activities 2008	Governmental Activities 2007
Disbursements:		
Instruction:		
Regular	2,725,310	2,667,250
Special	843,888	861,894
Other	775,153	585,545
Support Services:		
Pupil	178,278	196,762
Instructional Staff	205,553	202,910
Board of Education	24,794	36,823
Administration	637,646	547,150
Fiscal	229,565	241,802
Operation and Maintenance of Plant	771,139	668,813
Pupil Transportation	495,684	348,531
Central	7,760	8,640
Operation of Food Services	386,439	363,889
Operation of Non-Instructional Services	3,421	13,311
Extracurricular Activities	316,438	282,016
Capital Outlay	211,138	139,809
Debt Service:		
Principal	154,056	153,829
Interest	185,629	191,781
Total Disbursements	<u>8,151,891</u>	<u>7,510,755</u>
Increase/Decrease in Net Assets	<u>\$ (53,269)</u>	<u>\$ 803,513</u>

Program revenues account for over 33 percent of total receipts and are primarily represented by restricted intergovernmental receipts, charges for tuition, fees, extracurricular activities and food service sales.

The major program disbursements for governmental activities are for instruction, which accounts for 53 percent of all governmental disbursements.

Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for approximately 11 percent of governmental disbursements. Maintenance of the District's facilities also represents a significant expense, 9 percent. Therefore, approximately 73 percent of the District's disbursements are related to the primary functions of providing facilities and delivering education.

GOVERNMENTAL ACTIVITIES

Table 3 shows a comparison between the total cost of services and the net cost of services for governmental activities for both 2008 and 2007. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax receipts and unrestricted state entitlements.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

**Table 3
Cost of Services**

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Instruction:				
Regular	\$2,725,310	\$1,170,311	\$2,667,250	\$1,100,071
Special	843,888	261,216	861,894	296,173
Other	775,153	769,518	585,545	583,857
Support Services:				
Pupils	178,278	176,278	196,762	193,762
Instructional Staff	205,553	201,479	202,910	198,399
Board of Education	24,794	24,794	36,823	36,823
Administration	637,646	632,739	547,150	544,780
Fiscal	229,565	229,565	241,802	241,802
Operation and Maintenance of Plant	771,139	771,139	668,813	668,813
Pupil Transportation	495,684	491,182	348,531	342,589
Central	7,760	(1,240)	8,640	640
Operation of Food Services	386,439	(36,579)	363,889	8,503
Operation of Non-Instructional Services	3,421	3,421	13,311	13,311
Extracurricular Activities	316,438	213,141	282,016	162,067
Capital Outlay	211,138	211,138	139,809	139,809
Debt Service:				
Principal	154,056	154,056	153,829	153,829
Interest	339,685	339,685	191,781	191,781
Total Disbursements	<u>\$8,151,891</u>	<u>\$5,457,787</u>	<u>\$7,510,755</u>	<u>\$4,877,009</u>

The dependence upon tax receipts and unrestricted state entitlements is apparent. Over 50 percent of instruction activities are supported through taxes and other general receipts. Operation of food services was completely funded by program revenues for the current fiscal year. This is due to cafeteria sales, state and federal subsidies, and donated commodities for food service. Approximately 33 percent of extracurricular activities expenses are covered by program revenues. This is primarily due to music and athletic fees, ticket sales, and gate receipts. For all governmental activities, support from general revenues is approximately 66 percent. It is apparent that the community, as a whole, is the primary support for Perry Local District students.

THE DISTRICT'S FUNDS

The District's governmental funds are accounted for using the cash basis of accounting. Total governmental funds had receipts of \$8,098,622 and disbursements \$8,151,891, net of transfers. The negative change of \$53,269 in fund balance for the year indicates that the District was not able to meet current costs with current revenue. There were adequate balances to cover the negative change.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

GENERAL FUND BUDGETING HIGHLIGHTS

The District's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2008, the District amended its General Fund budget as needed. Final budgeted receipts, in the amount of \$6,473,593, were below original budgeted receipts of \$6,611,093. The \$20,388 difference between the final budgeted receipts and actual receipts is generally insignificant.

Final disbursements were budgeted at \$6,715,485 while actual disbursements were \$6,647,765. The District was able to restrict spending below what was anticipated. The District experienced lower regular instruction, other instruction, administration, and pupil transportation expenditures than expected. The District appropriates conservatively in order to cover expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – The District's financial statements are prepared on the cash basis of accounting and thus, capital assets acquired by the District are recorded as disbursements and have not been capitalized.

Debt – At June 30, 2008, the District's outstanding debt included a bond issue in the amount of \$3,930,000 for school improvements and \$94,609 in special assessment debt for the installation of a water main. During the fiscal year 2008, the District paid principal in the amount of \$150,000 on the bond issue and \$4,056 on its special assessment debt. Further information on these debt instruments can be found at Note 11 in the notes to the basic financial statements.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Shelly Reiff, Treasurer, Perry Local School District, 2770 E. Breese Road, Lima, Ohio 45806.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2008**

	<u>Governmental Activities</u>
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$3,145,585
Total Assets	<u><u>3,145,585</u></u>
Net Assets	
Restricted for:	
Capital Projects	38,586
Debt Service	405,168
Other Purposes	270,449
Unrestricted	2,431,382
Total Net Assets	<u><u>\$3,145,585</u></u>

See accompanying notes to the basic financial statements.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

	<u>Cash</u> <u>Disbursements</u>	<u>Program Revenues</u>		<u>Net (Disbursements)</u> <u>Receipts and</u> <u>Changes in</u> <u>Net Assets</u>
		<u>Charges</u> <u>for Services</u> <u>and Sales</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
Governmental Activities				
Instruction:				
Regular	\$2,725,310	\$1,442,752	\$112,247	(\$1,170,311)
Special	843,888	26,799	555,873	(261,216)
Other	775,153		5,635	(769,518)
Support Services:				
Pupil	178,278		2,000	(176,278)
Instructional Staff	205,553		4,074	(201,479)
Board of Education	24,794			(24,794)
Administration	637,646		4,907	(632,739)
Fiscal	229,565			(229,565)
Operation and Maintenance of Plant	771,139			(771,139)
Pupil Transportation	495,684		4,502	(491,182)
Central	7,760		9,000	1,240
Operation of Food Services	386,439	152,198	270,820	36,579
Operation of Non-Instructional Services	3,421			(3,421)
Extracurricular Activities	316,438	90,763	12,534	(213,141)
Capital Outlay	211,138			(211,138)
Debt Service				
Principal	154,056			(154,056)
Interest	185,629			(185,629)
Total Governmental Activities	\$8,151,891	\$1,712,512	\$981,592	(5,457,787)

General Receipts

Property Taxes Levied for:

General Purposes	2,783,788
Debt Service	290,149
Capital Outlay	101,827
Grants and Entitlements not Restricted to Specific Programs	1,979,933
Investment Earnings	153,977
Miscellaneous	94,844
Total General Receipts	5,404,518
 Change in Net Assets	 (53,269)
 Net Assets Beginning of Year	 3,198,854
 Net Assets End of Year	 \$3,145,585

See accompanying notes to the basic financial statements.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30,2008**

	<u>General</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,360,645	\$405,168	\$309,035	\$3,074,848
Restricted Assets				
Equity in Pooled Cash and Cash Equivalents	70,737			70,737
Total Assets	<u>2,431,382</u>	<u>\$405,168</u>	<u>\$309,035</u>	<u>3,145,585</u>
Fund Balances				
Reserved for Encumbrances	87,843		13,561	101,404
Reserved for Textbooks	70,737			70,737
Unreserved, Reported in:				
General Fund	2,272,802			2,272,802
Special Revenue Funds			256,888	256,888
Debt Service Fund		405,168		405,168
Capital Projects Funds			38,586	38,586
Total Fund Balances	<u>\$2,431,382</u>	<u>\$405,168</u>	<u>\$309,035</u>	<u>\$3,145,585</u>

See accompanying notes to the basic financial statements.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>General</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash Receipts				
Property Taxes	\$2,783,788	\$290,149	\$101,827	\$3,175,764
Intergovernmental	1,996,981	69,558	871,546	2,938,085
Interest	125,617	16,400	11,961	153,978
Tuition and Fees	1,458,006		14,896	1,472,902
Extracurricular Activities			86,999	86,999
Gifts and Donations	86		23,441	23,527
Charges for Services (Food Service)			152,198	152,198
Miscellaneous	88,727		6,442	95,169
Total Receipts	<u>6,453,205</u>	<u>376,107</u>	<u>1,269,310</u>	<u>8,098,622</u>
Cash Disbursements				
Current:				
Instruction:				
Regular	2,485,327		239,983	2,725,310
Special	538,816		305,072	843,888
Other	722,097		53,056	775,153
Support Services:				
Pupil	175,278		3,000	178,278
Instructional Staff	202,624		2,929	205,553
Board of Education	24,794			24,794
Administration	593,032		44,614	637,646
Fiscal	221,601	5,839	2,125	229,565
Operation and Maintenance of Plant	756,333		14,806	771,139
Pupil Transportation	495,684			495,684
Central			7,760	7,760
Operation of Food Services			386,439	386,439
Noninstructional Services	3,421			3,421
Extracurricular Activities	241,771		74,667	316,438
Capital Outlay	87,488		123,650	211,138
Debt Service:				
Principal Retirement		150,000	4,056	154,056
Interest and Fiscal Charges		179,768	5,861	185,629
Total Disbursements	<u>6,548,266</u>	<u>335,607</u>	<u>1,268,018</u>	<u>8,151,891</u>
Receipts Over (Under) Disbursements	(95,061)	40,500	1,292	(53,269)
Other Financing Sources(Uses)				
Transfers In			11,656	11,656
Transfers Out	(11,656)			(11,656)
Total Other Financing Sources(Uses)	<u>(11,656)</u>		<u>11,656</u>	
Net Change in Fund Balances	(106,717)	40,500	12,948	(53,269)
Fund Balances Beginning of Year	<u>2,538,099</u>	<u>364,668</u>	<u>296,087</u>	<u>3,198,854</u>
Fund Balances at End of Year	<u><u>\$2,431,382</u></u>	<u><u>\$405,168</u></u>	<u><u>\$309,035</u></u>	<u><u>\$3,145,585</u></u>

See accompanying notes to the basic financial statements.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Receipts				
Property and Other Local Taxes	\$2,875,666	\$2,796,166	\$2,783,788	(\$12,378)
Intergovernmental	2,058,277	1,998,277	1,996,981	(1,296)
Interest	150,000	130,000	125,617	(4,383)
Tuition and Fees	1,504,000	1,460,000	1,458,006	(1,994)
Gifts and Donations	100	100	86	(14)
Miscellaneous	23,050	89,050	88,727	(323)
Total Receipts	<u>6,611,093</u>	<u>6,473,593</u>	<u>6,453,205</u>	<u>(20,388)</u>
Disbursements				
Instruction:				
Regular	2,662,270	2,538,120	2,508,997	29,123
Special	576,200	547,650	538,816	8,834
Other	616,650	724,970	723,097	1,873
Support Services:				
Pupils	190,980	178,033	175,278	2,755
Instructional Staff	208,000	206,026	202,624	3,402
Board of Education	37,850	30,459	30,329	130
Administration	555,440	602,702	597,992	4,710
Fiscal	240,675	223,525	222,110	1,415
Operation and Maintenance of Plant	734,875	810,752	802,451	8,301
Pupil Transportation	447,400	506,486	501,534	4,952
Operation of Non-Instructional Services	5,720	3,550	3,421	129
Extracurricular Activities	224,560	243,770	241,771	1,999
Capital Outlay	3,500	87,742	87,689	53
Total Disbursements	<u>6,504,120</u>	<u>6,703,785</u>	<u>6,636,109</u>	<u>67,676</u>
Excess of Receipts Over (Under) Disbursements	<u>106,973</u>	<u>(230,192)</u>	<u>(182,904)</u>	<u>47,288</u>
Other Financing Uses:				
Transfers Out		(11,700)	(11,656)	44
Net Change in Fund Balance	106,973	(241,892)	(194,560)	47,332
Fund Balance Beginning of Year	2,428,059	2,428,059	2,428,059	
Prior Year Encumbrances Appropriated	<u>110,040</u>	<u>110,040</u>	<u>110,040</u>	
Fund Balance at End of Year	<u>\$2,645,072</u>	<u>\$2,296,207</u>	<u>\$2,343,539</u>	<u>\$47,332</u>

See accompanying notes to the basic financial statements

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2008**

	Private Purpose Trust	Agency
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$10,711	\$23,383
Cash and Cash Equivalents in Segregated Accounts		30,806
Total Assets	10,711	54,189
 Net Assets		
Restricted for Flexible Spending Plan		30,806
Restricted for Scholarships	10,711	
Held for Students		23,383
Total Net Assets	\$10,711	\$54,189

See accompanying notes to the basic financial statements.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSEST - CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Private Purpose Trust</u>
Additions	
Interest	\$413
Miscellaneous	932
Total Additions	<u>1,345</u>
Deductions	
Payments in Accordance with Trust Agreements	<u>500</u>
Change in Net Assets	845
Net Assets - Beginning of Year	<u>9,866</u>
Net Assets - End of Year	<u><u>\$10,711</u></u>

See accompanying notes to the basic financial statements.

This page intentionally left blank.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

Perry Local School District (the District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally elected Board form of government consisting of five members elected at-large for staggered four-year terms. The District provides educational services as authorized by state and federal guidelines.

The District is located in Allen County and includes all of Perry Township. The District is staffed by 27 classified employees, 58 certified teaching personnel, and 4 administrative employees who provide services to 847 students and other community members. The District currently operates two buildings.

A. Reporting Entity

The reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading.

B. Primary Government

The primary government of the District 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.

C. Component Units

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; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or 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.

The District does not have any component units.

D. Jointly Governed Organizations/Insurance Pools

The District is associated with six organizations, which are defined as jointly governed organizations, and three insurance purchasing pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, Apollo Joint Vocational School, the Spencerville, Perry and Bath Local Professional Development Committee, Educational Regional Service System Region 6, West Central Regional Professional Development Center, the Northwest Ohio Educational Research Council, the Allen County Schools Health Benefit Plan, the Ohio School Plan, and the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Plan. These organizations are presented in Notes 14 and 15 of the financial statements.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Although required by Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial report in accordance with generally accepted accounting principles, the District chooses to prepare its financial statements on the basis of accounting other than generally accepted accounting principles.

As discussed further in Note 2C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). This comprehensive basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting.

Following are the more significant of the District's accounting policies.

A. Basis of Presentation

The District's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. **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 statement of net assets presents the financial condition of the governmental activities of the District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. 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 charges paid by the recipient of the 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, which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

2. **Fund Financial Statements** - During the fiscal year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that records cash and other financial resources, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. The funds of the District are divided into two categories, governmental and fiduciary.

1. **Governmental Funds** - Governmental funds are those through which most governmental functions of the District are financed. Governmental fund reporting focuses on the sources uses and balances or current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. The District's major funds are the General Fund and the Debt Service Fund.

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

Debt Service Fund – The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. According to governmental accounting principles, the debt service fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the debt service fund might also be used to account for the payment of the short-term debt of the governmental funds.

The other governmental funds of the District account for grants and other resources whose use is restricted to a particular purpose.

2. **Fiduciary Funds** – Fiduciary fund reporting focuses on net assets and changes in net assets. 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 not available to support the District's own programs. The District's private purpose trust fund accounts for programs that provide college scholarships 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 various student-managed activities and an employee Section 125 plan.

C. Basis of Accounting

The District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in the financial statements.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate.

The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statement reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statement reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

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

E. Cash and Investments

To improve cash management, cash received by the District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2008, the District invested in Federal Home Loan Bank Notes, Federal National Mortgage Notes, Federal Home Loan Bank Notes, Federal Farm Credit Bank Notes, non-negotiable certificates of deposit, a money market fund, and STAR Ohio. Investments are reported at cost, which approximates market value.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2008.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2008 was \$125,617, from which there was \$1,266 assigned from other District funds.

F. Restricted Assets and Restricted Net Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset and when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted Assets in the fund statements are reported for money required to be spent for textbooks.

Net assets in the government wide statements are restricted for capital projects, debt service, and other purposes. Net assets restricted for other purposes include resources restricted for food service operations, music, and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. At June 30, 2008, the District had no funds restricted by enabling legislation.

The District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

G. Inventory and Prepaid Items

The District reports disbursements for inventory and prepaid items when paid.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid.

I. Interfund Receivables/Payables

The District reports advances-in and advances-out for interfund loans.

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's cash basis of accounting.

K. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Long-Term Obligations

The District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

M. Fund Balance Reserves

The District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. Fund balance reserves have been established for textbooks, and encumbrances.

N. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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. Transfers within governmental activities are eliminated on the government-wide financial statements.

3. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2008, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of GASB 45 and GASB 50 did not impact the financial statements

4. ACCOUNTABILITY AND COMPLIANCE

Ohio Administrative Code, Section 117-2-03 (B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

5. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Change in Fund Balance – Budget and Actual – (Budget Basis) presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budget basis) rather than as a reservation of fund balance (cash basis).

The adjustments necessary to reconcile cash and budget basis statements for the General Fund are as follows:

<u>Change in Fund Balance</u>	
Cash Basis	(\$106,717)
(Decrease) due to encumbrances outstanding at Fiscal Year End	<u>(87,843)</u>
Budget Basis	<u><u>(\$194,560)</u></u>

6. DEPOSITS AND INVESTMENTS

Monies held by the District are classified by State statute into three categories.

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

Inactive deposits are public deposits that the Board 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 held by the District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security 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;

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

6. DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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.

At year end, the District had \$50 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits - At fiscal year end, the carrying amount of the District's deposits was \$19,202. Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$0 of the District's bank balance of \$80,381 was exposed to custodial credit risk because it was insured by FDIC insurance.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

At fiscal year end, the District's Agency Funds had a restricted balance of \$30,806, consisting of cash held with Allied for a Section 125 cafeteria plan. The cash is held by Allied in a pooled account which is representative of numerous funds; therefore, it cannot be classified by risk under GASB Statement 40.

Investments - As of June 30, 2008 the District had the following investments.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

6. DEPOSITS AND INVESTMENTS (Continued)

	<u>Carrying Value</u>	<u>Market Value</u>	<u>Maturity</u>
U.S. Treasury Money Market	\$ 29,496	\$ 29,496	Current
Federal Home Loan Bank Notes	76,571	76,036	January 7, 2009
Federal Home Loan Bank Notes	150,711	151,303	April 15, 2009
Federal National Mortgage Notes	121,301	121,810	May 15, 2009
Federal Home Loan Bank Notes	103,119	103,869	September 18, 2009
Federal Farm Credit Bank Notes	102,772	102,397	October 23, 2009
Federal Home Loan Bank Notes	122,280	123,245	November 20, 2009
Federal National Mortgage Notes	122,706	124,113	December 15, 2009
Federal National Mortgage Notes	119,223	119,831	April 28, 2010
Federal Home Loan Bank Notes	123,504	123,350	March 17, 2010
Totals	<u>1,071,683</u>	<u>\$1,075,450</u>	
Star Ohio	<u>2,088,744</u>		
Total Investments	<u>\$3,160,427</u>		

Interest Rate Risk - 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 investment policy restricts the Treasurer from investing in anything other than as identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the District. The Treasurer is also restricted from purchasing investments that cannot be held until the maturity date.

The Federal Home Loan Bank and Federal National Mortgage Notes carry a rating of AAA by Standard and Poor's. The Federal Farm Credit Bank Notes carry a rating of Aaa by Moodys. STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. STAR Ohio had an average of maturity of 30.4 days and carried a rating of AAA by Standard and Poor's.

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 Federal Home Loan Bank Notes, Federal National Mortgage Notes and Federal Farm Credit Bank Notes are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the District's name.

The District has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

Concentration of Credit Risk - The District has adopted a policy that its portfolio shall remain sufficiently liquid to meet current obligations of the District. Minimum levels may be established in order to meet current obligations; however, the District has not limited the amount that may be invested in a particular security. The following table indicates the percentage of each investment compared to the District's total portfolio.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

6. DEPOSITS AND INVESTMENTS (Continued)

	Carrying Value	Percentage of Portfolio
U.S. Treasury Money Market	\$ 29,496	.90%
Federal National Mortgage Notes	363,230	11.50%
Federal Home Loan Bank Notes	576,185	18.20%
Federal Farm Credit Bank Notes	102,772	3.30%
Star Ohio	2,088,744	66.10%
Total Investments	<u>\$3,160,427</u>	<u>100.0%</u>

7. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the District's 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 collections are received in the first half of the following fiscal year.

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the District. Real property tax receipts received in calendar year 2008 represent the collection of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed values as of January 1, 2007, 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 receipts received in calendar year 2008 represent the collection of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien on December 31, 2006, were levied after April 1, 2007, 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.

Tangible personal property tax receipts received in calendar year 2008 (other than public utility property) represent the collection of calendar year 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2008, on the value as of December 31, 2007. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Allen 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, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

7. PROPERTY TAXES (Continued)

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

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Agricultural/Residential And Other Real Estate	\$ 83,291,800	82.41%	\$84,154,760	90.94%
Public Utility Property	5,595,750	5.54%	4,498,210	4.86%
Tangible Personal Property	12,174,597	12.05%	3,886,655	4.20%
Total Assessed Value	<u>\$101,062,147</u>	<u>100.00%</u>	<u>\$92,539,625</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$44.12		\$44.75	

8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the District contracted with the Ohio School Plan for general liability, educational legal liability and fleet insurance, and with Indiana Insurance Company for property insurance.

Coverages provided by the various insurances are as follows:

Building and Contents - Replacement Cost	\$20,473,600
Automobile Liability (\$250 to \$1,000 deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	3,000,000
Educational Legal Liability	
Per occurrence	1,000,000
Total per year	3,000,000

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

For fiscal year 2008, the District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

The District participates in the Northwest Ohio Area Computer Services Cooperative Worker's Compensation Group Rating Program (the Program), an insurance purchasing pool. The Program is intended to reduce premiums for the participants. The worker's compensation experience of the participating Districts is calculated as one experience and a common premium rate is applied to all Districts in the program.

Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate. Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

8. RISK MANAGEMENT (Continued)

The District participates in the Allen County Schools Health Benefit Plan (the Plan), a public entity shared risk pool consisting of the Districts within Allen County. The District pays monthly premiums to the Plan for employee medical and dental benefits. The Plan is responsible for the management and operations of the program. Upon withdrawal from the Plan, a participant is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

9. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations; 10.68 percent was the portion used to fund fiscal year 2007. 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 contribution for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006 were \$78,137, \$90,084, and \$80,556, respectively; 42.66 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

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

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

9. DEFINED BENEFIT PENSION PLANS (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or an allowance based on member's lifetime contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 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 DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined 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 of 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.

For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation 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 contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$378,309, \$358,292 and \$335,570 respectively; 83.76 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007. There were no contributions to the DC or Combined Plans for fiscal year 2008.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2008, one of the Board of Education members has elected Social Security. The Board's liability is 6.2 percent of wages paid.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

10. POST-EMPLOYMENT BENEFITS

A. School Employee Retirement System

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

State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$16,959.

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

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$35,656, \$28,004, and \$26,040 respectively; 42.66 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$5,630, \$5,736, and \$5,939 respectively; 42.66 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

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

Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$29,101, \$27,561, and \$25,813 respectively; 83.76 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

11. DEBT OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2008 were as follows:

	<u>Principal Outstanding 6/30/2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/2008</u>	<u>Due Within One Year</u>
General Obligation Bonds:					
School Improvement Bonds					
Term Bonds 5.0 - 5.25%	\$2,905,000			\$2,905,000	
Serial Bonds 3.4 - 4.4%	805,000		\$150,000	655,000	\$150,000
Capital Appreciation Bonds 10.19%	109,999			109,999	
Total School Improvement Bonds	3,819,999		150,000	3,669,999	150,000
Special Assessment Debt	98,665		4,056	94,609	5,620
Total Long-Term Obligations	<u>\$3,918,664</u>		<u>154,056</u>	<u>\$3,764,608</u>	<u>\$155,620</u>

General Obligation Bonds - On March 1, 2001, the District issued \$4,499,999 in voted general obligation bonds for constructing, improving, and making additions to school buildings and related site development. The bond issue included serial, term, and capital appreciation bonds in the amount of \$1,485,000, \$2,905,000 and \$109,999 respectively. The bonds will be retired with a voted property tax levy from the debt service fund.

The term bonds maturing on December 1, 2018, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the District. The mandatory redemption is to occur on December 1, in each of the years 2014 through 2016 (with the balance of \$215,000 to be paid at stated maturity on December 1, 2018) at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2014	\$180,000
2015	190,000
2016	205,000
2017	210,000

The term bonds maturing on December 1, 2021, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the District. The mandatory redemption is to occur on December 1, in each of the years 2019 through 2020 (with the balance of \$255,000 to be paid at stated maturity on December 1, 2021) at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2019	\$245,000
2020	250,000

The term bonds maturing on December 1, 2025, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the District. The mandatory redemption is to occur on December 1, in each of the years 2022 through 2024 (with the balance of \$305,000 to be paid at stated maturity on December 1, 2025) at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

11. DEBT OBLIGATIONS (Continued)

<u>Year</u>	<u>Amount</u>
2022	\$270,000
2023	280,000
2024	300,000

Current serial bonds redeemed by other than mandatory redemption, or purchased for cancellation, may be credited against the applicable mandatory redemption requirement.

The serial bonds maturing after December 1, 2012, are subject to optional redemption, in whole or in part on any date in inverse order of maturity and be lot within a maturity, in integral multiples of \$5,000, at the option of the District on or after December 1, at the redemption prices (expressed as percentages of the principal amount to be redeemed) set forth below, plus accrued interest to the redemption date:

<u>Redemption Dates (Dates Inclusive)</u>	<u>Redemption Prices</u>
December 1, 2011 through November 30, 2012	101%
December 1, 2012 and thereafter	100

The capital appreciation bonds will mature in fiscal years 2012 and 2013. The maturity amounts of the bonds are \$185,000 for fiscal year 2012 and \$185,000 for fiscal year 2013. Capital appreciation bonds are not subject to redemption prior to maturity. The interest on the capital appreciation bonds represents the accretion of the deep-discounted bonds from the initial value at the time of issuance to their value at final maturity of \$370,000.

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

<u>General Obligation Bonds</u>					
<u>Fiscal Year Ending</u>	<u>Serial Principal</u>	<u>Term Principal</u>	<u>Capital Appreciation</u>	<u>Interest</u>	<u>Total Amount</u>
2009	\$150,000			\$ 173,693	\$ 323,693
2010	160,000			167,258	327,258
2011	170,000			160,243	330,243
2012	175,000			152,738	327,738
2013			\$ 57,731	276,156	333,887
2014-2018		\$ 785,000	52,268	801,294	1,638,562
2019-2023		1,235,000		397,610	1,632,610
2024-2026		885,000		71,006	956,006
Totals	<u>\$655,000</u>	<u>\$2,905,000</u>	<u>\$109,999</u>	<u>\$2,199,998</u>	<u>\$5,869,997</u>

Special Assessment Debt - During October 1995, the District entered into contract with the Allen Water District to construct a water main to supply city water services to the District's facilities. Installation was completed in September 1996. The cost to the District was \$225,000. The unpaid balance under the contract was certified to Allen County Auditor for collection as a special assessment in fiscal year 1998. The contract with the Water District also allows the District to receive from the Allen Water District, 95 percent of any tap fees collected for a period of ten years or a maximum of \$170,000.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

11. DEBT OBLIGATIONS (Continued)

The special assessments will be paid semi-annually from the permanent improvement capital projects fund. As of June 30, 2008, the principal balance outstanding is \$94,609. Principal and interest requirements to retire the special assessment outstanding at June 30, 2008, are as follows:

Fiscal Year Ending	Principal	Interest	Amount
2009	\$ 4,297	\$ 5,620	\$ 9,917
2010	4,552	5,365	9,917
2011	4,823	5,094	9,917
2012	5,110	4,808	9,917
2013	5,413	4,504	9,917
2014-2018	32,288	17,299	49,587
2019-2023	38,126	6,500	44,626
Total	<u>\$94,609</u>	<u>\$49,189</u>	<u>\$143,798</u>

12. INTERFUND TRANSERS

During 2008, the following transfers were made:

Transfers from the General Fund to Other Governmental Funds	\$11,656
Transfers Between Agency Funds	<u>872</u>
	<u>\$12,528</u>

Transfers are used to move unrestricted cash receipts collected in the general fund to other funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers and advances between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers or advances are reported on the statement of activities.

13. SET ASIDE REQUIREMENTS

The District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years. The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements, during fiscal year 2008:

	Textbooks	Capital Improvements
Balance June 30, 2006	\$56,005	(\$4,481,180)
Current Year Set Aside Requirement	120,911	120,922
Qualifying Cash Disbursements Offset for the Current Year	(106,190)	(101,827)
Amount Carried Forward to Fiscal Year 2008		<u>(4,462,085)</u>
Set Aside Reserve Balance June 30, 2008	<u>\$70,737</u>	<u>\$ 0</u>

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

13. SET ASIDE REQUIREMENTS (Continued)

Although the District had offsets during the year that reduced the set-aside amount for the capital reserve, prior year offsets of capital expenditures in excess of accumulated set-aside requirements from bond or note proceeds, or the proceeds from the related permanent improvement levy or other levy to pay the debt, which had been carried forward also offset the current year's capital reserve set-aside requirement and which may be carried forward to be used to reduce the set-aside requirement in future years.

14. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC) which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Putnam, Mercer, Hancock, Van Wert, and Paulding Counties and Cities of Wapakoneta and St. Marys.

The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member Districts. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member educational entities within each county. Financial information can be obtained from Raymond Burden, who serves as Director, at 645 South Main Street, Lima, Ohio 45804.

B. Apollo Joint Vocational School

The Apollo Joint Vocational School is a distinct political subdivision of the State of Ohio which provides vocational education to students, operates under the direction of a Board consisting of one representative from each of the participating Districts' elected boards. The Board possesses its own budgeting and taxing authority. To obtain financial information, write to Apollo Joint Vocational School, Greg Bukowski, who serves as Treasurer, at 3325 Shawnee Road, Lima, Ohio 45806.

C. Spencerville, Perry, and Bath Local Professional Development Committee

The Spencerville, Perry, and Bath Local Professional Development Committee is a consortium operated under the direction of a Board consisting of one representative from the educators of each school, along with two administrators from the member schools chosen by the superintendents. The Committee was formed to review coursework and other professional development activities completed by educators within the Districts and used for the renewal of certificates and licenses. As of June 30, 2006, there was no financial information available for this Committee.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

14. JOINTLY GOVERNED ORGANIZATIONS (Continued)

D. Educational Regional Service System Region 6

The School District participates in the Educational Regional Service System (ERSS) Region 6, a jointly governed organization consisting of educational entities within Allen, Auglaize, Champaign, Hardin, Logan, Mercer and Shelby counties. The purpose of the ERSS is to provide support services to school districts, community schools, and chartered nonpublic schools within the region by supporting State and school initiatives and efforts to improve school effectiveness and student achievement with a specific reference to the provision of special education and related services. The ERSS is governed by an advisory council, which is the policymaking body for the educational entities within the region, who identifies regional needs and priorities for educational services and develops corresponding policies to coordinate the delivery of services. They are also charged with the responsibility of monitoring the implementation of State and regional initiatives and school improvement efforts. The Advisory Council is made up of the director of the ERSS, the superintendent of each educational service center within the region, the superintendent of the region's largest and smallest school district, the director and an employee from each education technology center, one representative of a four-year institution of higher education and appointed by the Ohio Board of Regents, one representative of a two-year institution of higher education and appointed by the Ohio Association of Community Colleges, three board of education members (one each from a city, exempted village, and local school district within the region), and one business representative.

The degree of control exercised by any participating educational entity is limited to its representation on the Advisory Council. Financial information can be obtained from the Auglaize County Educational Service Center, 1045 Dearbaugh Ave., Suite 2, Wapakoneta, Ohio 45895.

E. West Central Regional Professional Development Center

The West Central Regional Professional Development Center (the Center) is a jointly governed organization among the Districts located in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam and Van Wert counties. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development, in which Districts, the business community, higher education and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improvements in instructional programs.

The Center is governed by a board made up of 52 representatives of the participating Districts, the business community, and two institutions of higher learning whose term rotates every two years. The degree of control exercised by any participating District is limited to its representation on the Board. Financial information may be obtained by contacting Greg Spiess, Treasurer, Hancock County Educational Service Center, 7746 Co. Rd. 140, Findlay, Ohio 45840-3087.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

14. JOINTLY GOVERNED ORGANIZATIONS (Continued)

F. Northwest Ohio Educational Research Council, Inc.

The Northwest Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a 25 county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village Districts, five local Districts, and five city Districts, as well as representatives from two private or parochial schools and three institutions of high education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

15. GROUP INSURANCE PURCHASING POOLS

A. Allen County Schools Health Benefit Plan

The District participates in the Allen County Schools Health Benefit Plan (the Trust), public entity shared risk pool consisting of the Districts within Allen County. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides sick, accident and other benefits to the employees of the participating Districts. Each participating District's superintendent is appointed to a Board of Trustees which advises the Trustee, Allied Benefit Systems, Inc., concerning aspects of the administration of the Trust. Each District decides which plans offered the Board of Trustees will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Board of Trustees and payment of the monthly premiums. Financial information can be obtained from Brian Rockhold, who serves as Chairman, at 1920 Slabtown Rd., Lima, Ohio 45804.

B. Ohio School Plan

The District participates in the Ohio School Plan (the Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its member which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a 15 member board consisting of superintendents, treasurers, the president of Harcum-Hyre Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Hyre Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Hyre Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

C. Northwest Ohio Area Computer Service Cooperative (NOACSC) Worker's Compensation Group Rating Program

The District participates in the NOACSC Workers' Compensation Group Rating Program (the Program), an insurance purchasing pool. The Program's business and affairs are conducted by a 25 member Board of directors consisting of two representatives from each county elected by a majority vote of all charter member schools within each county plus one representative from the fiscal agency A-site. The Treasurer of Findlay City Schools serves as coordinator of the program. Each year, the participating Districts pay an enrollment fee to the Program to cover the costs of administering the program and its financial operations.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

16. CONTINGENT LIABILITIES

A. Grants

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 claim resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2008.

B. Litigation

The District is of the opinion that any current or future claims will either result in a favorable outcome or be covered by current insurance policies, so as not to materially affect the overall financial position of the District.

The page intentionally left blank.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
(Passed through Ohio Department of Education)						
Food Donation	2008	10.550		\$43,742		\$43,742
Nutrition Cluster:						
School Breakfast Program	2008	10.553	\$55,879		\$55,879	
			6,758		6,758	
Total School Breakfast Program			62,637		62,637	
National School Lunch Program	2008	10.555	178,556		178,556	
	2007		20,386		20,386	
Total National School Lunch Program			198,942		198,942	
Total Nutrition Cluster			261,579		261,579	
Total United States Department of Agriculture			261,579	43,742	261,579	43,742
United States Department of Education						
(Passed through Ohio Department of Education)						
Title I Grants to Local Educational Agencies	2008	84.010	100,505		100,505	
	2007		7,043		7,043	
Total Title I Grants to Local Educational Agencies			107,548		107,548	
Special Education Grants to States	2008	84.027	196,102		196,102	
Safe and Drug-Free Schools and Communities	2008	84.186	3,056		3,056	
State Grants for Innovative Programs	2008	84.298	1,783		1,783	
Education Technology State Grants	2008	84.318	1,018		1,018	
Improving Teacher Quality State Grants	2008	84.367	46,043		46,043	
	2007		1,104		1,104	
Total Improving Teacher Quality State Grants			47,147		47,147	
Total United States Department of Education			356,654		356,654	
Total Federal Financial Assistance			\$618,233	\$43,742	\$618,233	\$43,742

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures.

**PERRY LOCAL DISTRICT
ALLEN COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DISTRIBUTION PROGRAM

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

At June 30, 2008, the District had no significant food commodities in inventory

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D - MATCHING REQUIREMENTS

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



Mary Taylor, CPA

Auditor of State

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

Perry Local School District
Allen County
2770 East Breese Road
Lima, Ohio 45806

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 Perry Local School District, Allen County, (the District), as of and for the fiscal year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 10, 2008, wherein, we noted the District uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be 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.

Compliance and Other Matters

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

We also noted a certain noncompliance or other matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 10, 2008.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

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



Mary Taylor, CPA
Auditor of State

December 10, 2008



Mary Taylor, CPA

Auditor of State

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

Perry Local School District
Allen County
2770 East Breese Road
Lima, Ohio 45806

To the Board of Education:

Compliance

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

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

In our opinion, the Perry Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the fiscal year ended June 30, 2008.

Internal Control Over Compliance

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

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

**Internal Control Over Compliance
(Continued)**

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

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

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

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



Mary Taylor, CPA
Auditor of State

December 10, 2008

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Nutrition Cluster - CFDA #10.553 School Breakfast Program and CFDA #10.555 National School Lunch Program
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

FINDING NUMBER 2008-001

Noncompliance Citation

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Adm. Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). For fiscal year 2008, the District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

To help provide the users with more meaningful financial statements, the District should prepare their financial statements according to generally accepted accounting principles.

Officials Response:

The Perry Board of Education continues to support their decision in processing the OCBOA statements as a means to save time and money for the district.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Ohio Rev. Code Section 117.38 & Ohio Admin. Code Section 117-2-03(B) – Failed to prepare financial statements in accordance with GAAP	No	Repeated as finding number 2008-001



Mary Taylor, CPA
Auditor of State

PERRY LOCAL SCHOOL DISTRICT

ALLEN 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 8, 2009**