



**Auditor of State  
Betty Montgomery**



**PERRY LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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## Auditor of State Betty Montgomery

### 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 School District), as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the School 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, 2005, and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended June 30, 2005, the School District revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2006, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the School District's financial statements. The Schedule of Federal Awards Expenditures presents additional information and is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. It is not a required part of the financial statements. We subjected the schedule of federal awards 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.

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.



**Betty Montgomery**  
Auditor of State

April 27, 2006

**PERRY LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED**

The discussion and analysis of Perry Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005, within the limitations of cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

**HIGHLIGHTS**

Key highlights for fiscal year 2005 are as follows:

In total, net assets of governmental activities increased \$676,959 a significant change from the prior fiscal year. This was due, in part, to increased property tax collections, tuition payments and grants and entitlements with only a moderate increase in expenditures.

General revenues account for \$6,227,775, or 84 percent of all revenues received from governmental activities, and reflects the School District's significant dependence on property taxes and unrestricted state entitlements.

The School 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 new revenue annually. The School District has maintained the budget cuts and will continue to reduce when possible.

The School District ended the fiscal year in the black, and deficits are not projected on the five-year forecast. It is imperative that the Board continues to exercise fiscal caution in the current economic climate.

**USING THE BASIC FINANCIAL STATEMENTS**

This year's financial statements were prepared on the cash basis utilizing the GASB 34 format. The 2004 financial statements were prepared on the cash basis, not utilizing the GASB 34 format. As a result, attempting to compare this year's data to last years would be misleading to the reader. The School District will provide this comparative analysis in subsequent years.

**Report Components**

The statement of net assets and the statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School 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 School District's most significant funds, with all other non-major funds presented in total in a single column. For the School District, the General Fund is the most significant fund.

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.

**PERRY LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School 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 principals. Under the District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

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 bases of accounting.

**REPORTING THE SCHOOL DISTRICT AS A WHOLE**

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2005, on the cash basis of accounting.

The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the School District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School 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 School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Factors which contribute to these changes may also include the School 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 School District activities are presented as governmental activities. All of the School 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 SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS**

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

**Governmental Funds** - Most of the School 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 School 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 School District's significant governmental funds are presented on the financial statements in separate columns.



**PERRY LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

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

**THE SCHOOL DISTRICT AS A WHOLE**

Table 1 provides a summary of the School District's net assets for fiscal year 2005 compared to fiscal year 2004 on the cash basis of accounting.

	<b>Governmental Activities 2005</b>	<b>Governmental Activities 2004</b>
<b>Assets</b>		
Cash and Cash Equivalents	<u>\$1,713,151</u>	<u>\$1,036,192</u>
<b>Net Assets</b>		
Restricted For:		
Capital Projects	123,582	117,687
Debt Service	300,455	284,483
Set-asides	77,849	77,849
Other Purposes	157,521	140,170
Unrestricted	<u>1,053,744</u>	<u>416,003</u>
Total Net Assets	<u>\$1,713,151</u>	<u>\$1,036,192</u>

Table 2 reflects the changes in net assets for fiscal year 2005. Since the School District did not prepare financial statements according to this basis of accounting in the prior fiscal year, a comparative analysis of government-wide data has not been presented. In future years, when prior fiscal year information is available, a comparative analysis will be presented.

**Table 2  
Change in Net Assets**

	<b>Governmental Activities 2005</b>
<b>Receipts:</b>	
Program Receipts	
Charges for Services and Sales	\$423,466
Operating Grants and Contributions	777,061
Total Program Receipts	<u>1,200,527</u>
General Receipts	
Property Taxes Levied for	
General Purposes	2,782,285
Debt Service	320,794
Capital Outlay	111,825
Payment in Lieu of Taxes	4,875
Grants and Entitlements	2,958,115
Interest	34,760
Miscellaneous	15,121
Total General Receipts	<u>6,227,775</u>

**PERRY LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

Total Receipts	<u><u>7,428,302</u></u>
<b>Disbursements:</b>	
Instruction:	
Regular	2,414,787
Special	771,893
Other	478,099
Support Services:	
Pupils	127,137
Instructional Staff	228,420
Board of Education	29,812
Administration	538,927
Fiscal	205,866
Operation and Maintenance of Plant	553,306
Pupil Transportation	321,844
Central	24,089
Food Services	335,142
Extracurricular Activities	292,949
Capital Outlay	87,720
Debt Service	<u>341,352</u>
Total Disbursements	<u><u>6,751,343</u></u>
<b>Increase in Net Assets</b>	<u><u>\$676,959</u></u>

Program revenues account for over 16 percent of total receipts and are primarily represented by restricted intergovernmental receipts, charges for tuition and fees, extracurricular activities, and food service sales.

The major program disbursements for governmental activities are for instruction, which accounts for 54 percent of all governmental disbursements.

Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for approximately 10 percent of governmental disbursements. Maintenance of the School District's facilities also represents a significant expense, 8 percent. Therefore, over 72 percent of the School District's disbursements are related to the primary functions of providing facilities and delivering education.

**PERRY LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

**GOVERNMENTAL ACTIVITIES**

Table 3 indicates the total cost of services and the net cost of services for governmental activities. 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.

**Table 3  
Cost of Services**

	<b>Total Cost of Services 2005</b>	<b>Net Cost of Services 2005</b>
Instruction:		
Regular	\$2,414,787	\$2,257,348
Special	771,893	266,411
Other	478,099	477,469
Support Services:		
Pupils	127,137	124,137
Instructional Staff	228,420	220,027
Board of Education	29,812	29,812
Administration	538,927	536,656
Fiscal	205,866	205,866
Operation and Maintenance of Plant	553,306	553,306
Pupil Transportation	321,844	314,115
Central	24,089	16,089
Food Services	335,142	(31,716)
Extracurricular Activities	292,949	152,224
Capital Outlay	87,720	87,720
Debt Service	341,352	341,352
Total Disbursements	<u>\$6,751,343</u>	<u>\$5,550,816</u>

The dependence upon tax receipts and unrestricted state entitlements is apparent. Over 81 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. Over 48 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 82 percent. It is apparent that the community, as a whole, is the primary support for Perry Local School District students.

**THE SCHOOL DISTRICT'S FUNDS**

The School District's governmental funds are accounted for using the cash basis of accounting. Total governmental funds had receipts of \$7,428,302 and disbursements \$6,751,343. The positive change of \$676,959 in fund balance for the year indicates that the School District was able to meet current costs.

**PERRY LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

**GENERAL FUND BUDGETING HIGHLIGHTS**

The School 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 2005, the School District amended its General Fund budget as needed. Final budgeted receipts, in the amount of \$5,785,011, were above the original budgeted receipts of \$5,377,350. The \$161,758 difference between the final budgeted receipts and actual receipts is generally insignificant.

Final disbursements were budgeted at \$5,446,059 while actual disbursements were \$5,384,314. The School District was able to restrict spending below what was anticipated. The School District experienced lower regular instruction, other instruction, administration, and pupil transportation expenditures than expected. The School District appropriates conservatively in order to cover expenditures.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

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

**Debt** – At June 30, 2005, the District's outstanding debt included a bond issue in the amount of \$4,167,235 for school improvements and \$104,353 in special assessment debt for the installation of a water main. During the fiscal year 2005, the School District paid principal in the amount of \$135,000 on the bond issue and \$3,510 on its special assessment debt. Further information on these debt instruments can be found at Note 12 in the notes to the basic financial statements.

**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School 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, 2005**

	<b>Governmental Activities</b>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,713,151</u>
Total Assets	<u><u>1,713,151</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$123,582
Debt Service	300,455
Budget Reserve	77,849
Other Purposes	157,521
Unrestricted	<u>1,053,744</u>
Total Net Assets	<u><u>\$1,713,151</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, 2005**

	<b>Program Cash Receipts</b>			<b>Net(Disbursements) Receipts and Changes in Net Assets</b>
<b>Cash Disbursements</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Total Governmental Activities</b>	
<b>Governmental Activities</b>				
Current:				
Instruction:				
Regular	\$2,414,787	\$85,321	\$72,118	(\$2,257,348)
Special	771,893	45,683	459,799	(266,411)
Other	478,099		630	(477,469)
Support Services:				
Pupil	127,137		3,000	(124,137)
Instructional Staff	228,420		8,393	(220,027)
Board of Education	29,812			(29,812)
Administration	538,927		2,271	(536,656)
Fiscal	205,866			(205,866)
Operation and Maintenance of Plant	553,306			(553,306)
Pupil Transportation	321,844		7,729	(314,115)
Central	24,089		8,000	(16,089)
Operation of Food Services	335,142	160,103	206,755	31,716
Extracurricular Activities	292,949	132,359	8,366	(152,224)
Capital Outlay	87,720			(87,720)
Debt Service	341,352			(341,352)
<b>Total Governmental Activities</b>	<b>\$6,751,343</b>	<b>\$423,466</b>	<b>\$777,061</b>	<b>(5,550,816)</b>
<b>General Receipts</b>				
Property Taxes Levied for:				
General Purposes			2,782,285	
Debt Service			320,794	
Capital Outlay			111,825	
Grants and Entitlements not				
Restricted to Specific Programs			2,958,115	
Payment in Lieu of Taxes			4,875	
Interest			34,760	
Miscellaneous			15,121	
<b>Total General Receipts</b>			<b>6,227,775</b>	
Change in Net Assets			676,959	
Net Assets Beginning of Year (Note 3)			1,036,192	
Net Assets End of Year			<b>\$1,713,151</b>	

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, 2005**

	<u>General</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$1,131,593	\$300,455	\$281,103	\$1,713,151
Total Assets	<u>1,131,593</u>	<u>300,455</u>	<u>281,103</u>	<u>1,713,151</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	79,389		47,221	126,610
Reserved for Budget Reserve	77,849			77,849
Unreserved:				
Undesignated, Reported in:				
General Fund	974,355			974,355
Special Revenue Funds			155,828	155,828
Debt Service Fund		300,455		300,455
Capital Projects Funds			78,054	78,054
Total Fund Balances	<u>\$1,131,593</u>	<u>\$300,455</u>	<u>\$281,103</u>	<u>\$1,713,151</u>

*See accompanying notes to the basic financial statements.*

**PERRY LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>General</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts</b>				
Property Taxes	\$2,782,285	\$320,794	\$111,825	\$3,214,904
Payment in Lieu of Taxes	4,875			4,875
Intergovernmental	1,739,014	27,345	677,167	2,443,526
Interest	22,866	6,530	5,364	34,760
Tuition and Fees	1,385,273		29,494	1,414,767
Extracurricular Activities			115,784	115,784
Contributions and Donations	35		24,427	24,462
Charges for Services			160,103	160,103
Miscellaneous	9,227		2,700	11,927
<b>Total Receipts</b>	<b>5,943,575</b>	<b>354,669</b>	<b>1,126,864</b>	<b>7,425,108</b>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	2,242,591		172,196	2,414,787
Special	472,239		299,654	771,893
Other	475,277		2,822	478,099
Support Services:				
Pupil	117,772		9,365	127,137
Instructional Staff	216,896		11,524	228,420
Board of Education	29,812			29,812
Administration	481,817		57,110	538,927
Fiscal	194,916	7,263	3,687	205,866
Operation and Maintenance of Plant	541,003		12,303	553,306
Pupil Transportation	321,844			321,844
Central	16,089		8,000	24,089
Operation of Food Services	12,305		322,837	335,142
Extracurricular Activities	181,089		111,860	292,949
Capital Outlay	1,275		86,445	87,720
Debt Service:				
Principal Retirement		135,000	3,510	138,510
Interest and Fiscal Charges		196,435	6,407	202,842
<b>Total Disbursements</b>	<b>5,304,925</b>	<b>338,698</b>	<b>1,107,720</b>	<b>6,751,343</b>
Excess of Revenues Under Expenditures				
Excess of Receipts Over (Under) Disbursements	638,650	15,971	19,144	673,765
<b>Other Financing Sources (Uses)</b>				
Transfers In			4,103	4,103
Transfers Out	(4,103)			(4,103)
Advances In	12,000		12,000	24,000
Advances Out	(12,000)		(12,000)	(24,000)
Other Financing Sources	3,194			3,194
<b>Total Other Financing Sources (Uses)</b>	<b>(909)</b>		<b>4,103</b>	<b>3,194</b>
Net Change in Fund Balances	637,741	15,971	23,247	676,959
Fund Balances Beginning of Year (Note 3)	493,852	284,484	257,856	1,036,192
Fund Balances End of Year	<u>\$1,131,593</u>	<u>\$300,455</u>	<u>\$281,103</u>	<u>\$1,713,151</u>

See accompanying notes to the basic financial statements.



**PERRY LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCE  
BUDGET AND ACTUAL - (BUDGET BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property Taxes	\$2,372,550	\$2,616,388	\$2,782,285	\$165,897
Intergovernmental	1,757,500	1,745,029	1,743,889	(1,140)
Interest	16,000	24,000	22,866	(1,134)
Tuition and Fees	1,226,000	1,387,000	1,385,273	(1,727)
Contributions and Donations	100	100	35	(65)
Fines and Forfeitures	4,000	9,300	9,227	(73)
Miscellaneous	1,200	3,194	3,194	
<b>Total receipts</b>	5,377,350	5,785,011	5,946,769	161,758
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	2,338,161	2,298,931	2,274,642	24,289
Special	458,900	473,852	472,239	1,613
Other	511,275	484,275	475,277	8,998
Support Services:				
Pupil	125,828	121,728	117,772	3,956
Instructional Staff	225,050	219,045	216,949	2,096
Board of Education	31,185	40,169	39,842	327
Administration	531,335	490,050	483,262	6,788
Fiscal	170,986	197,351	195,401	1,950
Operation and Maintenance of Plant	565,235	572,605	570,592	2,013
Pupil Transportation	336,428	331,153	324,380	6,773
Central	14,875	16,275	16,089	186
Operation of Non-Instructional Services	12,180	12,650	12,305	345
Extracurricular Activities	203,475	183,475	181,089	2,386
Capital Outlay	2,000	4,500	4,475	25
<b>Total Disbursements</b>	5,526,913	5,446,059	5,384,314	61,745
Excess of Receipts Over (Under) Disbursements	(149,563)	338,952	562,455	223,503
<b>Other Financing Sources (Uses)</b>				
Transfers Out			(4,103)	(4,103)
Advances In			12,000	12,000
Advances Out			(12,000)	(12,000)
<b>Total Other Financing Sources (Uses)</b>			(4,103)	(4,103)
Net Change in Fund Balance	(149,563)	338,952	558,352	219,400
Fund Balance Beginning of Year	425,019	425,019	425,019	
Prior Year Encumbrances Appropriated	68,833	68,833	68,833	
<b>Fund Balance End of Year</b>	<u>\$344,289</u>	<u>\$832,804</u>	<u>\$1,052,204</u>	<u>\$219,400</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, 2005**

	<b>Private Purpose Trust</b>	<b>Agency</b>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$5,153	\$25,383
Cash and Cash Equivalents in Segregated Accounts		28,011
<b>Total Assets</b>	5,153	53,394
<b>Net Assets</b>		
Restricted for Flexible Spending Plan		28,011
Restricted for Scholarships	5,153	
Held for Students		25,383
<b>Total Net Assets</b>	\$5,153	\$53,394

*See accompanying notes to the basic financial statements.*

**PERRY LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<b><u>Private Purpose Trust</u></b>
<b>Additions</b>	
Interest	\$97
Miscellaneous	214
Total Additions	<u>311</u>
Change in Net Assets	311
Net Assets - Beginning of Year	<u>4,842</u>
<b>Net Assets - End of Year</b>	<b><u><u>\$5,153</u></u></b>

*See accompanying notes to the basic financial statements.*

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**PERRY LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Perry Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally elected Board form of government consisting of five members elected at-large for staggered four-year terms. The School District provides educational services as authorized by state and federal guidelines. The School District is located in Allen County and includes all of Perry Township. The School District is staffed by 23 classified employees, 58 certified teaching personnel, and 4 administrative employees who provide services to 828 students and other community members. The School 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 School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Perry Local School District, this includes general operations, food service, and student related activities.

**C. Component Units**

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

**D. Jointly Governed Organizations/Insurance Pools**

The School 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, West Central Ohio Special Education Regional Resource Center, West Central Ohio Regional Professional Development Center, the Northwestern 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 15 and 16 to the financial statements.

**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 School District chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted for school districts by the Auditor of State.

**PERRY LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

As discussed further in Note 2.C, 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 School District's accounting policies.

**A. Basis of Presentation**

The School 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 School 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 School 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 School 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, contributions, and interest 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 School 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 School District.

2. **Fund Financial Statements** - During the fiscal year, the School District segregates transactions related to certain School 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 School 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.

**B. Fund Accounting**

The School 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 School District are divided into two categories, governmental and fiduciary.

**PERRY LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

1. **Governmental Funds** - Governmental funds are those through which most governmental functions of the School 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 School 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 School 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 School 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 School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School 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 School District's agency fund accounts for various student-managed activities.

**C. Basis of Accounting**

The School District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School 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.

**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.

**PERRY LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 statements 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 statements 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 School District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School 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 2005, the School District invested in two money market funds and STAR Ohio. The School District's money market fund investments are recorded at cost. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2005.

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 2005 was \$22,866, which included \$12,540 assigned from other School District funds.



**PERRY LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Net Assets/Restricted 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 School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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. The budget reserve reflects an amount set aside by the Board under Ohio Revised Code 5705.13 to cover any future revenue shortfalls. At June 30, 2005, \$378,978 was restricted by enabling legislation.

The School 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 School 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 School 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 School District's cash basis of accounting.

**K. Employer Contributions to Cost-Sharing Pension Plans**

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**L. Long-Term Obligations**

The School 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.

**PERRY LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**M. Fund Balance Reserves**

The School 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 budget stabilization 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. CHANGES IN ACCOUNTING PRINCIPLES, BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY**

For the year ended June 30, 2005, the School District revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. Last year the School District reported fund financial statements by fund type using the cash basis of accounting. In implementing the other comprehensive basis of accounting described in Note 2, the fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type. The Lunchroom and Uniform School Supplies funds previously reported as Enterprise funds using the cash basis of accounting are now reclassified as Special Revenue funds under the other comprehensive basis of accounting. Also, two of the three trust funds were reclassified as Special Revenue funds and the remaining trust fund was reclassified as a Private Purpose Trust fund.

The School District made the following modifications to the fund type cash basis of accounting in implementing the cash basis of accounting as described in Note 2:

	<b>Fund Balance June 30, 2004</b>	<b>General</b>	<b>Debt Service</b>	<b>Other Governmental</b>	<b>Private Purpose Trust</b>	<b>Agency</b>
General	\$493,852	\$493,852				
Special Revenue	56,724			\$56,724		
Debt Service	284,483		\$284,483			
Capital Projects	117,687			117,687		
Expendable Trust	64,508			59,666	\$4,842	
Enterprise	23,780			23,780		
Agency	46,278					\$46,278
Adjusted Balances June 30, 2004	<u>\$1,087,312</u>	<u>\$493,852</u>	<u>\$284,483</u>	<u>\$257,857</u>	<u>\$4,842</u>	<u>\$46,278</u>

**PERRY LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**3. CHANGES IN ACCOUNTING PRINCIPLES, BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY (Continued)**

For fiscal year 2005, the School District has implemented GASB Statement No. 40, "*Deposit and Investment Risk Disclosure*" and GASB Statement No. 46, "*Net Assets Restricted by Enabling Legislation*".

GASB Statement No. 40 establishes and modifies the disclosure requirements related to investment risks. The implementation of this statement did not result in any change to the School District's financial statements.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

**4. ACCOUNTABILITY AND COMPLIANCE**

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School 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.

**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 Cash Receipts, Cash Disbursements and Changes 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 the cash and budget basis statements for the General Fund are as follows:

<b>Change in Fund Balance</b>	
Cash Basis	\$1,131,593
Increase (Decrease) Due To:	
Encumbrances Outstanding at Fiscal Year End	<u>(79,389)</u>
Budget Basis	<u><u>\$1,052,204</u></u>

**6. DEPOSITS AND INVESTMENTS**

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

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

**PERRY LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**6. DEPOSITS AND INVESTMENTS (Continued)**

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 School 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;
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 School 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 School District had \$50 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

**PERRY LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**6. DEPOSITS AND INVESTMENTS (Continued)**

**A. Deposits** - At fiscal year end, the carrying amount of the School District's deposits was \$630,143. Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$621,869 of the School District's bank balance of \$866,196 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

The School 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 School 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 balance of \$28,011, consisting of cash held with a third party administrator for a Section 125 cafeteria plan. The cash is held in a pooled account which is representative of numerous funds; therefore, it cannot be classified by risk.

**B. Investments** - At June 30, 2005, the School District had \$1,113,494 invested in STAR Ohio. STAR Ohio had an average of maturity of 30.4 days and carried a rating of AAA by Standard and Poor's. The School District has no policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. 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.

**7. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First-half tax distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions 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 School District. Real property tax receipts received in calendar year 2005 represent the collection of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed values as of January 1, 2004, 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 2005 represent the collection of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien on December 31, 2002, were levied after April 1, 2003, 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.

**PERRY LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**7. PROPERTY TAXES (Continued)**

Tangible personal property tax receipts received in calendar year 2004 (other than public utility property) represent the collection of calendar year 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2004, on the value as of December 31, 2003. 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 School District prior to June 30.

The School District receives property taxes from Allen County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2005 taxes were collected are:

	<b>2004 Second- Half Collections</b>		<b>2005 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Real Property:				
Agricultural/Residential				
And Other Real Estate	\$75,001,540	74.39%	\$75,097,380	72.90%
Public Utility Property	6,191,740	6.14%	6,336,580	6.15%
Tangible Personal Property	19,638,256	19.47%	21,579,759	20.95%
Total Assessed Value	<u>\$100,831,536</u>	<u>100.00%</u>	<u>\$103,013,719</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$40.36		\$45.32	

On November 2, 2004, a 4.96 mill emergency levy was passed for a period of five years. The levy will generate \$500,000 per year and collections began in January of 2005.

**8. REVENUE IN LIEU OF TAXES**

According to State law, the School District has entered into agreements with a number of property owners under which the School District has granted property tax abatements to those property owners. The property owners have agreed to make payments to the School District which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The property owner's contractual promise to make these payments in lieu of taxes generally continue until the agreement expires. Payments in lieu of taxes for fiscal year 2005 were \$4,875.

**PERRY LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**9. RISK MANAGEMENT**

The School 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 2005, the School 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	\$19,044,300
Automobile Liability (\$250 to \$2,000 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	2,000,000

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 2005, the School 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 School 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 school districts is calculated as one experience and a common premium rate is applied to all school 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.

The School District participates in the Allen County Schools Health Benefit Plan (the Plan), a public entity shared risk pool consisting of the school districts within Allen County. The School 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.

**PERRY LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**10. DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code.

STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor.

The DCP allows members to place all of 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 fifty and termination of employment.

The CP offers features of both the DBP and DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

A DBP or CP 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 DCP who become disabled are entitled only to their account balance. If a member 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, 2005, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2005, 2004, and 2003 were \$333,989, \$343,327, and \$342,490, respectively. The full amount has been contributed for fiscal years 2005, 2004 and 2003. Contributions for the DCP and CP for the fiscal year ended June 30, 2005, were \$3,271 made by the School District and \$3,435 made by plan members.



**PERRY LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**10. DEFINED BENEFIT PENSION PLANS (Continued)**

**B. School Employees Retirement System**

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

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2005 was 14 percent of annual covered payroll; 10.57 percent was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$77,990, \$68,842, and \$64,307, respectively. The full amount has been contributed for fiscal years 2005, 2004 and 2003.

**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, 2005, two of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**11. POST-EMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

STRS retirees who participated in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2005, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount was \$25,471.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.3 billion at June 30, 2005. For the fiscal year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000, and STRS had 115,395 eligible benefit recipients.

**PERRY LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**11. POST-EMPLOYMENT BENEFITS (Continued)**

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All members must pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply.

For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$47,278 for fiscal year 2005.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2005, were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has approximately 58,123 participants currently receiving health care benefits.

**12. DEBT OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2005 were as follows:

	<u>Principal Outstanding 6/30/2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/2005</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%	1,230,000		\$135,000	\$1,095,000	\$135,000
Capital Appreciation Bonds 10.19%	109,999			109,999	
Accretion for Capital Bonds	51,410	\$5,826		57,236	
Total School Improvement Bonds	<u>4,296,409</u>	<u>5,826</u>	<u>135,000</u>	<u>4,167,235</u>	<u>135,000</u>
Special Assessment Debt	107,863		3,510	104,353	3,718
Total Long-Term Obligations	<u>\$4,404,272</u>	<u>\$5,826</u>	<u>\$138,510</u>	<u>\$4,271,588</u>	<u>\$138,718</u>

**General Obligation Bonds** - On March 1, 2001, the School 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 School 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 schedules:

**PERRY LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**12. DEBT OBLIGATIONS (Continued)**

<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 School 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 School 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:

<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 School 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</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. At June 30, 2005, the accreted value of the capital appreciation bonds was \$167,235.

**PERRY LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**12. DEBT OBLIGATIONS (Continued)**

Principal and interest requirements to retire the general obligation debt outstanding at June 30, 2005, were as follows:

Fiscal Year Ending	General Obligation Bonds				Total Amount
	Serial Principal	Term Principal	Capital Appreciation	Interest	
2006	\$140,000	\$0		\$191,278	\$331,278
2007	150,000	0		185,692	335,692
2008	150,000	0		179,768	329,768
2009	150,000	0		173,693	323,693
2010	160,000	0		167,258	327,258
2011-2015	345,000	180,000	109,999	1,015,143	1,650,142
2016-2020		1,065,000		572,190	1,637,190
2021-2025		1,355,000		263,708	1,618,708
2026		305,000		8,006	313,006
Totals	\$1,095,0000	\$2,905,000	\$109,999	\$2,756,736	\$6,866,735

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.

**A. Special Assessment Debt**

During October 1995, the School District entered into contract with the Allen Water District to construct a water main to supply city water services to the School District's facilities. Installation was completed in September 1996. The cost to the School 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 School 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.

The special assessments will be paid semi-annually from the permanent improvement capital projects fund. As of June 30, 2005, the principal balance outstanding is \$104,353. Principal and interest to retire the special assessment outstanding at June 30, 2005, are as follows:

Fiscal Year Ending	Principal	Interest	Total Amount
2006	\$3,718	\$6,199	\$9,917
2007	3,940	5,978	9,918
2008	4,173	5,744	9,917
2009	4,422	5,496	9,918
2010	4,683	5,234	9,917
2011-2015	27,939	21,647	49,586
2016-2020	37,282	12,303	49,585
2021-2022	18,196	1,637	19,833
Total	<u>\$104,353</u>	<u>\$64,238</u>	<u>\$168,591</u>

**PERRY LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**13. INTERFUND TRANSFERS**

During 2005, the following transfers were made:

Transfers from the General Fund to Other Governmental Funds	<u><u>\$4,103</u></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. Advances were made between the General fund and the other governmental non major funds. All advances were repaid by year end.

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.

**14. SET ASIDE REQUIREMENTS**

The School 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 2005:

	<b>Textbooks</b>	<b>Capital Improvements</b>
Balance June 30, 2004	\$ (58,712)	\$ (4,499,999)
Current Year Set Aside Requirement	115,084	115,084
Qualifying Cash Disbursements	(60,147)	0
Allowed Carry Forward to Fiscal Year 2006	\$ (3,775)	\$(4,384,915)
Required Cash Set Aside at June 30, 2005	\$ (0)	\$ (0)

Qualifying expenditures in excess of the current year requirement for the textbooks may be used to reduce the set aside requirement of future years. Although the School District had no offsets or qualifying expenditures during the year, 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 was carried forward to offset the current year's capital reserve set-aside requirements.

**15. JOINTLY GOVERNED ORGANIZATIONS**

**A. Apollo Career Center** - The Apollo Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information, write to Apollo Career Center, Greg Bukowski, Treasurer, at 3325 Shawnee Road, Lima, Ohio 45806.

**PERRY LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**15. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**B. Northwest Ohio Area Computer Services Cooperative**

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC) which is a computer consortium. NOACSC is an association of public school districts 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 school districts. Financial information can be obtained from Ray Burden, who serves as director, at 645 South Main Street, Lima, Ohio 45804. Apollo Joint Vocational School - The Apollo Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the 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 school districts and used for the renewal of certificates and licenses. As of June 30, 2000, there was no financial information available for this Committee.

**D. West Central Ohio Special Education Regional Resource Center**

The West Central Ohio Special Education Regional Resource Center (SERRC) is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The SERRC is governed by a board of 52 members made up the 50 superintendents of the participating districts, one non-public school, and Wright State University whose term rotates representation on the Board. Financial information can be obtained by contacting the Krista Hart, Treasurer, at the Hardin County Educational Service Center, 1121 West Lima Street, Suite A, Kenton, Ohio 43326-2385.

**E. West Central Regional Professional Development Center (Center)**

The Center is a jointly governed organization among the school 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 school districts, the business community, higher education and other groups cooperatively plan and implement effective professional development activities than are tied directly to school improvement, and in particular, to improvements in instructional programs.

The Center is governed by a board made up of fifty-two representatives of the participating school districts, the business community, and two institutions of higher learning whose term rotates every two years. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information may be obtained by contacting Bradley Brown, 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, 2005  
(Continued)**

**15. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**F. Northwestern Ohio Educational Research Council, Inc. (NOERC)**

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 twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers two exempted village school districts, five local school districts, and five city school 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.

**16. GROUP INSURANCE PURCHASING POOLS**

**A. Allen County Schools Health Benefit Plan**

The School District participates in the Allen County Schools Health Benefit Plan (the Trust), a public entity shared risk pool consisting of the school 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 school districts. Each participating school 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 school 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 204 North Main Street, Lima, Ohio 45801.

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

The School 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 twenty-five 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 school districts pay an enrollment fee to the Program to cover the costs of administering the program and its financial operations.

**C. Ohio School Plan**

The School District participates in the Ohio School Plan (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 fifteen 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.

**PERRY LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**17. CONTINGENT LIABILITIES**

**A. Grants**

The School 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 School District at June 30, 2005.

**B. Litigation**

The School 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 School District.



PERRY LOCAL SCHOOL DISTRICT  
ALLEN COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Federal Grantor/ Pass Through Grantor Program Title	Pass-Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. Department of Agriculture</b> (Passed through State Department of Education)						
<b>Nutrition Cluster:</b>						
Food Distribution Program	N/A	10.550		\$43,201		\$43,201
National School Breakfast Program	045781-05-PU-04 045781-05-PU-05	10.553	\$11,958 38,886		\$11,958 38,886	
Sub-total National School Breakfast Program			50,844		50,844	
National School Lunch Program	045781-LLP4-04 045781-LLP4-05	10.555	31,149 115,847		31,149 115,847	
Sub-total National School Lunch Program			146,996		146,996	
<b>Total U.S. Department of Agriculture-Nutrition Cluster</b>			197,840	43,201	197,840	43,201
<b>U.S. Department of Education</b> (Passed through State Department of Education)						
Title VI-B	045781-6BSF-05	84.027	160,123		160,123	
Title I	045781-C1S1-05	84.010	137,811		137,811	
Title V	045781-C2S1-05	84.298	3,389		3,389	
Drug Free Education	045781-DRS1-05	84.186	4,695		4,695	
Title II-A	045781-TRS1-04 045781-TRS1-05	84.367 84.367	(1,224) 46,309		46,309	
Sub-total Title II-A			45,085		46,309	
Title IID	045781-TJS1-05	84.318	3,698		3,698	
<b>Total U.S. Department of Education</b>			354,801		356,025	
<b>Total Federal Financial Assistance</b>			<u>\$552,641</u>	<u>\$43,201</u>	<u>\$553,865</u>	<u>\$43,201</u>

See accompanying notes to the Schedule of Federal Awards Expenditures.

**PERRY LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - NUTRITION CLUSTER**

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

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

**NOTE C - MATCHING REQUIREMENTS**

Certain Federal programs require that the School District contribute non-Federal funds (matching funds) to support the federally-funded programs. The expenditure of non-Federal matching funds is not included on the schedule.

**NOTE D - NEGATIVE RECEIPTS**

The negative receipt in the Title II-A grant for fiscal year 2004, represents the elimination of this grant. This receipt was transferred into the fiscal year 2005 grant special cost center with the approval of the Ohio Department of Education.



## Auditor of State Betty Montgomery

### 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 School District), as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements and have issued our report thereon dated April 27, 2006, wherein, we noted the School District used a comprehensive basis of accounting other than generally accepted accounting principles for reporting. In addition, the School District implemented GASB Statement No. 34, "*Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments*". 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 School District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. However, in a separate letter to the School District's management dated April 27, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed one 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 2005-001. In a separate letter to the School District's management dated April 27, 2006, we reported a matter related to noncompliance we deemed immaterial.

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Perry Local School District  
Allen County  
Independent Accountants' Report On Internal Control Over  
Financial Reporting and on Compliance And Other Matters  
Required By *Government Auditing Standards*  
Page 2

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.

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

**Betty Montgomery**  
Auditor of State

April 27, 2006



## Auditor of State Betty Montgomery

### 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 School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal programs for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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 School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, Perry Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal programs for the year ended June 30, 2005.

#### Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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.

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

**Betty Montgomery**  
Auditor of State

April 27, 2006

**PERRY LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005**

**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Title VI B Special Education Grant CFDA #84.027 Nutrition Cluster CFDA#10.550, 10.553, 10.555
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

**FINDING NUMBER 2005-001**

**Ohio Rev. Code Section 117.38** states, in part, 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 Admin Code Section 117-2-03 (B)** requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles.

The School District prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The School District should prepare their financial statements in accordance with generally accepted accounting principles.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

**PERRY LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2005  
OMB CIRCULAR A -133 § .315 (b)**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2004-001	Ohio Rev. Code Section 117.38; Ohio Admin Code Section 117-2-03 (B)	No	Repeated as 2005-001 OCBOA GASB 34 Reporting





**Auditor of State  
Betty Montgomery**

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**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  
MAY 23, 2006**