



Mary Taylor, CPA
Auditor of State

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Perry Local School District, Allen County, (the School District), as of and for the year ended June 30, 2007, 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 an opinion 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 opinion.

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, 2007, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2008, 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 Receipts and 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 this schedule to the auditing procedures applied in our audit of the School District's 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.

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

Mary Taylor, CPA
Auditor of State

January 22, 2008

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
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, 2007, 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 2007 are as follows:

- In total, net assets of governmental activities increased \$803,513, about the same increase as 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 \$5,680,522 or 68 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

Report Components

The statement of net assets and the statement of activities provide information about the activities of the School District as a whole, 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 and the Debt Service Fund are the most significant funds.

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

Basis of Accounting

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

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

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

REPORTING THE 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 2007, 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.

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.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

THE SCHOOL DISTRICT AS A WHOLE

Table 1 provides a summary of the School District's net assets for fiscal year 2007 compared to fiscal year 2006 on the cash basis of accounting.

**Table 1
Net Assets**

	Governmental	
	Activities	Activities
Assets:	2007	2006
Cash and Cash Equivalents	<u>\$3,198,854</u>	<u>\$2,395,341</u>
Net Assets:		
Designated For:		
Budget Reserve	77,849	77,849
Restricted For:		
Capital Projects	61,908	77,638
Debt Service	364,668	311,332
Other Purpose	234,179	225,725
Unrestricted	<u>2,460,250</u>	<u>1,702,797</u>
Total Net Assets	<u><u>\$3,198,854</u></u>	<u><u>\$2,395,341</u></u>

Table 2 reflects the changes in net assets for fiscal year 2007 compared to fiscal year 2006 on the cash basis of accounting.

**Table 2
Change in Net Assets**

	Governmental	
	Activities	Activities
	2007	2006
Receipts:		
Program Receipts		
Charges for Services and Sales	\$ 1,753,875	\$ 1,805,488
Operating Grants and Contributions	<u>879,871</u>	<u>856,539</u>
Total Program Receipts	2,633,746	2,662,027
General Receipts		
Property Taxes Levied for		
General Purpose	3,118,997	2,923,356
Debt Service	311,645	297,889
Capital Outlay	116,130	108,702
Payment in Lieu of Taxes		5,880
Grants and Entitlements	1,895,086	1,684,847
Interest	178,195	90,927
Gifts and Donations		8,262
Miscellaneous	<u>60,469</u>	<u>21,454</u>
Total General Receipts	<u>5,680,522</u>	<u>5,141,317</u>
Total Receipts	<u>8,314,268</u>	<u>7,803,344</u>

(Continued)

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

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

	Governmental Activities 2007	Governmental Activities 2006
Disbursements:		
Instruction:		
Regular	2,667,250	2,423,041
Special	861,894	846,221
Other	585,545	560,308
Support Services:		
Pupil	196,762	139,588
Instructional Staff	202,910	194,039
Board of Education	36,823	37,078
Administration	547,150	538,428
Fiscal	241,802	218,706
Operation and Maintenance of Plant	668,813	661,052
Pupil Transportation	348,531	377,453
Central	8,640	10,309
Operation of Food Services and Non-Instructional Services	377,200	352,836
Extracurricular Activities	282,016	270,872
Capital Outlay	139,809	154,986
Debt Service	345,610	336,237
Total Disbursements	<u>7,510,755</u>	<u>7,121,154</u>
Increase in Net Assets	<u>\$ 803,513</u>	<u>\$ 682,190</u>

Program revenues account for over 31.6 percent of total receipts and are primarily represented by restricted intergovernmental receipts, charges for tuition, fees, extracurricular activities and food service sales.

The major program disbursements for governmental activities are for instruction, which accounts for 54.8 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, 9 percent. Therefore, 73.8 percent of the School District's disbursements are related to the primary functions of providing facilities and delivering education.

GOVERNMENTAL ACTIVITIES

Table 3 shows a comparison between the total cost of services and the net cost of services for governmental activities for both 2007 and 2006. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax receipts and unrestricted state entitlements.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

**Table 3
Cost of Services**

	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
Instruction:				
Regular	\$2,667,250	\$1,100,071	\$2,423,041	\$889,261
Special	861,894	296,173	846,221	255,518
Other	585,545	583,857	560,308	559,847
Support Services:				
Pupils	196,762	193,762	139,588	136,588
Instructional Staff	202,910	198,399	194,039	187,372
Board of Education	36,823	36,823	37,078	37,078
Administration	547,150	544,780	538,428	537,428
Fiscal	241,802	241,802	218,706	218,706
Operation and Maintenance of Plant	668,813	668,813	661,052	661,052
Pupil Transportation	348,531	342,589	377,453	374,015
Central	8,640	640	10,309	2,309
Operation of Food Services and Non-Instructional Services	377,200	21,814	352,836	(41,192)
Extracurricular Activities	282,016	162,067	270,872	149,922
Capital Outlay	139,809	139,809	154,986	154,986
Debt Service	345,610	345,610	336,237	336,237
Total Disbursements	\$7,510,755	\$4,877,009	\$7,121,154	\$4,459,127

The dependence upon tax receipts and unrestricted state entitlements is apparent. Over 48 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 42 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 65 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 \$8,314,268 and disbursements \$7,510,755. The positive change of \$803,513 in fund balance for the year indicates that the School District was able to meet current costs.

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 2007, the School District amended its General Fund budget as needed. Final budgeted receipts, in the amount of \$6,619,984, were above original budgeted receipts of \$6,430,483. The \$102,863 difference between the final budgeted receipts and actual receipts is generally insignificant.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Final disbursements were budgeted at \$6,231,137 while actual disbursements were \$6,075,434. 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, 2007, the School District's outstanding debt included a bond issue in the amount of \$3,914,024 for school improvements and \$98,665 in special assessment debt for the installation of a water main. During the fiscal year 2007, the School District paid principal in the amount of \$150,000 on the bond issue and \$3,829 on its special assessment debt. Further information on these debt instruments can be found at Note 11 in the notes to the basic financial statements.

CONTACTING THE 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, 2007

	<u>Governmental Activities</u>
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$3,198,854
Total Assets	<u>3,198,854</u>
Net Assets	
Designated for:	
Budget Reserve	77,849
Restricted for:	
Capital Projects	61,908
Debt Service	364,668
Other Purposes	234,179
Unrestricted	<u>2,460,250</u>
Total Net Assets	<u>\$3,198,854</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, 2007**

		Program Revenues		Net (Disbursements) Receipts and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$2,667,250	\$1,505,187	\$61,992	(\$1,100,071)
Special	861,894		565,721	(296,173)
Other	585,545		1,688	(583,857)
Support Services:				
Pupil	196,762		3,000	(193,762)
Instructional Staff	202,910		4,511	(198,399)
Board of Education	36,823			(36,823)
Administration	547,150		2,370	(544,780)
Fiscal	241,802			(241,802)
Operation and Maintenance of Plant	668,813			(668,813)
Pupil Transportation	348,531		5,942	(342,589)
Central	8,640		8,000	(640)
Instructional Services	377,200	149,759	205,627	(21,814)
Extracurricular Activities	282,016	98,929	21,020	(162,067)
Capital Outlay	139,809			(139,809)
Debt Service	345,610			(345,610)
Total Governmental Activities	\$7,510,755	\$1,753,875	\$879,871	(4,877,009)
General Receipts				
Property Taxes Levied for:				
				3,118,997
				311,645
				116,130
Grants and Entitlements not				
				1,895,086
				178,195
				60,469
				5,680,522
				803,513
				2,395,341
				\$3,198,854

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, 2007**

	<u>General</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,404,245	\$364,668	\$296,087	\$3,065,000
Restricted Assets -				
Equity in Pooled Cash and Cash Equivalents	133,854			133,854
Total Assets	<u>2,538,099</u>	<u>364,668</u>	<u>296,087</u>	<u>3,198,854</u>
Fund Balances				
Designated for Budget Reserve	77,849			77,849
Reserved for Encumbrances	110,040		52,502	162,542
Reserved for Textbook Reserve	56,005			56,005
Unreserved, Undesignated, Reported in:				
General Fund	2,294,205			2,294,205
Special Revenue Funds			223,077	223,077
Debt Service Fund		364,668		364,668
Capital Projects Funds			20,508	20,508
Total Fund Balances	<u>\$2,538,099</u>	<u>\$364,668</u>	<u>\$296,087</u>	<u>\$3,198,854</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, 2007**

	<u>General</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts				
Property Taxes	\$3,118,997	\$311,645	\$116,130	\$3,546,772
Intergovernmental	1,909,805	65,861	769,904	2,745,570
Interest	143,578	18,754	15,863	178,195
Tuition and Fees	1,494,530		17,641	1,512,171
Extracurricular Activities			91,910	91,910
Gifts and Donations	33		29,389	29,422
Charges for Services (Food Service)			149,759	149,759
Miscellaneous	22,312		3,891	26,203
Total Receipts	6,689,255	396,260	1,194,487	8,280,002
Disbursements				
Current:				
Instruction:				
Regular	2,435,658		231,592	2,667,250
Special	539,335		322,559	861,894
Other	582,168		3,377	585,545
Support Services:				
Pupil	193,762		3,000	196,762
Instructional Staff	199,776		3,134	202,910
Board of Education	36,823			36,823
Administration	499,702		47,448	547,150
Fiscal	231,846	7,231	2,725	241,802
Operation and Maintenance of Plant	665,142		3,671	668,813
Pupil Transportation	348,531			348,531
Central			8,640	8,640
Operation of Food Services and Non-Instructional Services	13,311		363,889	377,200
Extracurricular Activities	207,487		74,529	282,016
Capital Outlay	2,920		136,889	139,809
Debt Service:				
Principal Retirement		150,000	3,829	153,829
Interest and Fiscal Charges		185,693	6,088	191,781
Total Disbursements	5,956,461	342,924	1,211,370	7,510,755
Excess of Receipts Over (Under) Disbursements	732,794	53,336	(16,883)	769,247
Other Financing Sources and Uses				
Transfers In			9,607	9,607
Transfers Out	(8,933)			(8,933)
Other Financing Sources	33,592			33,592
Total Other Financing Sources and Uses	24,659		9,607	34,266
Net Change in Fund Balances	757,453	53,336	(7,276)	803,513
Fund Balances Beginning of Year	1,780,646	311,332	303,363	2,395,341
Fund Balances at End of Year	\$2,538,099	\$364,668	\$296,087	\$3,198,854

See accompanying notes to the basic financial statements.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - (BUDGET BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Receipts				
Property and Other Local Taxes	\$2,751,000	\$3,017,000	\$3,118,997	\$101,997
Intergovernmental	2,058,933	1,919,133	1,909,805	(9,328)
Interest	90,000	131,500	143,578	12,078
Tuition and Fees	1,515,000	1,496,000	1,494,530	(1,470)
Gifts and Donations	50	50	33	(17)
Miscellaneous	15,500	22,301	22,312	11
Total Receipts	<u>6,430,483</u>	<u>6,585,984</u>	<u>6,689,255</u>	<u>103,271</u>
Disbursements				
Instruction:				
Regular	2,401,150	2,567,175	2,441,847	125,328
Special	521,355	542,970	539,335	3,635
Other	561,070	597,605	582,168	15,437
Support Services:				
Pupils	168,345	195,436	194,015	1,421
Instructional Staff	191,695	202,398	200,442	1,956
Board of Education	41,315	47,205	46,542	663
Administration	494,860	502,191	502,529	(338)
Fiscal	213,495	237,395	232,346	5,049
Operation and Maintenance of Plant	665,625	685,577	683,049	2,528
Pupil Transportation	438,725	423,145	420,317	2,828
Central	5,020	20	20	20
Operation of Non-Instructional Services	13,260	13,690	13,311	379
Extracurricular Activities	196,890	212,830	207,488	5,342
Capital Outlay	3,000	3,500	3,112	388
Total Disbursements	<u>5,915,805</u>	<u>6,231,137</u>	<u>6,066,501</u>	<u>164,636</u>
Excess of Receipts Over (Under) Disbursements	514,678	354,847	622,754	267,907
Other Financing Sources and Uses:				
Transfers Out			(8,933)	(8,933)
Other Financing Sources		34,000	33,592	(408)
Total Other Financing Sources and Uses		<u>34,000</u>	<u>24,659</u>	<u>(9,341)</u>
Net Change in Fund Balance	514,678	388,847	647,413	258,566
Fund Balance Beginning of Year	1,720,034	1,720,034	1,720,034	
Prior Year Encumbrances Appropriated	60,612	60,612	60,612	
Fund Balance at End of Year	<u><u>\$2,295,324</u></u>	<u><u>\$2,169,493</u></u>	<u><u>\$2,428,059</u></u>	<u><u>\$258,566</u></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, 2007**

	Private Purpose Trust	Agency
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$9,866	\$30,235
Cash and Cash Equivalents in Segregated Accounts		16,589
Total Assets	9,866	46,824
 Net Assets		
Restricted for Flexible Spending Plan		16,589
Restricted for Scholarships	9,866	
Held for Students		30,235
Total Net Assets	\$9,866	\$46,824

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, 2007**

	<u>Private Purpose Trust</u>
Additions	
Interest	\$476
Miscellaneous	405
Total Additions	<u>881</u>
Change in Net Assets	881
Net Assets - Beginning of Year	<u>8,985</u>
Net Assets - End of Year	<u><u>\$9,866</u></u>

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, 2007**

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 24 classified employees, 58 certified teaching personnel, and 4 administrative employees who provide services to 844 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 Regional Professional Development Center, the Northwest Ohio Educational Research Council, the Allen County Schools Health Benefit Plan, the Ohio School Plan, and the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Plan. These organizations are presented in Notes 14 and 15 of the financial statements.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Although required by Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial report in accordance with generally accepted accounting principles, the 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.

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

Following are the more significant of the 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.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

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

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

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

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

E. Cash and Investments

To improve cash management, cash received by the 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 2007, the School District invested in Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes, non-negotiable certificates of deposit, a money market fund, and STAR Ohio. Investments are reported at cost, which approximates market value.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2007.

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 2007 was \$143,578, of which none was assigned from other School District funds.

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, 2007, the School District had no funds 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 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, textbooks, and encumbrances.

N. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Transfers within governmental activities are eliminated on the government-wide financial statements.

3. 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.

4. BUDGETARY BASIS OF ACCOUNTING

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

Change in Fund Balance	
Cash Basis	\$757,453
(Decrease) due to encumbrances outstanding at Fiscal Year End	<u>(110,040)</u>
Budget Basis	<u><u>\$647,413</u></u>

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

5. 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.

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.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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".

Deposits - At fiscal year end, the carrying amount of the School District's deposits was \$419,470. 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, \$300,000 of the School District's bank balance of \$478,151 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 School District's agency funds had a restricted balance of \$16,589, consisting of cash held with Allied for a Section 125 cafeteria plan. The cash is held by Allied in a pooled account which is representative of numerous funds; therefore, it cannot be classified by risk under GASB Statement 40.

Investments - As of June 30, 2007 the School District had the following investments.

	<u>Carrying Value</u>	<u>Market Value</u>	<u>Maturity</u>
Federal Home Loan Mortgage Notes	\$ 200,829	\$200,004	July 18, 2007
Federal Home Loan Mortgage Notes	204,639	203,786	December 21, 2007
Federal Home Loan Mortgage Notes	213,173	209,388	March 5, 2008
Federal National Mortgage Notes	203,479	199,881	November 21, 2007
Totals	<u>822,120</u>	<u>\$813,059</u>	
Star Ohio	1,997,315		
Total Investments	<u><u>\$2,819,435</u></u>		

Interest Rate Risk - Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The investment policy restricts the Treasurer from investing in anything other than as identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the School District. The Treasurer is also restricted from purchasing investments that cannot be held until the maturity date.

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

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal Home Loan Mortgage Notes and Federal National Mortgage Notes are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name.

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

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

	Carrying Value	Percentage of Portfolio
Federal Home Loan Mortgage Notes	\$ 618,641	21.9%
Federal National Mortgage Notes	203,479	7.2%
Star Ohio	1,997,315	70.9%
Total Investments	\$2,819,435	100.00%

6. 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 2007 represent the collection of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed values as of January 1, 2006, 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 2007 represent the collection of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien on December 31, 2005, were levied after April 1, 2006, 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, 2007
(Continued)**

6. PROPERTY TAXES (Continued)

Tangible personal property tax receipts received in calendar year 2007 (other than public utility property) represent the collection of calendar year 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2007, on the value as of December 31, 2006. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008, and zero for 2009. 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, 2007, are available to finance fiscal year 2007 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 2007 taxes were collected are:

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Agricultural/Residential And Other Real Estate	\$77,998,020	78.24%	\$83,291,800	82.41%
Public Utility Property	5,588,520	5.60%	5,595,750	5.54%
Tangible Personal Property	16,107,563	16.16%	12,174,597	12.05%
Total Assessed Value	<u>\$99,694,103</u>	<u>100.00%</u>	<u>\$101,062,147</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$44.34		\$44.12	

7. REVENUE IN LIEU OF TAXES

According to State law, the School District entered into agreements with property owners under which the School District granted property tax abatements to those property owners. The property owners agreed to make payments to the School District which represented 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. These agreements expired as of June 30, 2006; therefore, there were no payments in lieu of taxes for fiscal year 2007.

8. 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. For fiscal year 2007, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool, and contracted for general liability, educational legal liability and fleet insurance. 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 also contracted with Indiana Insurance Company for property insurance.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

8. RISK MANAGEMENT (Continued)

Coverages provided by the various insurances are as follows:

Building and Contents - Replacement Cost	\$19,165,500
Automobile Liability (\$250 to \$1,000 deductible)	1,000,000
General Liability	
Per occurrence	3,000,000
Total per year	5,000,000
Educational Legal Liability	
Per occurrence	3,000,000
Total per year	5,000,000

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.

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.

9. DEFINED BENEFIT PENSION PLANS

A. School Employee Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code.

SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 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 a statutory maximum amount, by the SERS' Retirement Board.

The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006 and 2005 were \$90,084, \$80,556 and \$77,990 respectively. The full amount has been contributed for fiscal years 2007, 2006, and 2005.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strs.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. 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 balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005 were \$358,292, \$332,016, and \$333,989 respectively. The full amount has been contributed for fiscal years 2007, 2006, and 2005. There were no contributions to the DC or Combined Plans for fiscal year 2007.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2007, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages.

10. POST-EMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS Ohio), and to retired non-certificated 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 obligations 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.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. 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 Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$27,561 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

10. POST-EMPLOYMENT BENEFITS (Continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. In addition, 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 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$40,643.

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. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next year. Expenses for health care at June 30, 2006, (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive benefits.

11. DEBT OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2007 were as follows:

	<u>Principal Outstanding 6/30/2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/2007</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%	955,000		\$150,000	805,000	\$150,000
Capital Appreciation Bonds 10.19%	109,999			109,999	
Accretion for Capital Bonds	74,717	19,308		94,025	
Total School Improvement Bonds	<u>4,044,716</u>	<u>19,308</u>	<u>150,000</u>	<u>3,914,024</u>	<u>150,000</u>
Special Assessment Debt	102,494		3,829	98,665	4,056
Total Long-Term Obligations	<u>\$4,147,210</u>	<u>\$19,308</u>	<u>\$153,829</u>	<u>\$4,012,689</u>	<u>\$154,056</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 schedule:

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

11. 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 Prices</u>
December 1, 2011 through November 30, 2012	101%
December 1, 2012 and thereafter	100

The capital appreciation bonds will mature in fiscal years 2012 and 2013. The maturity amounts of the bonds are \$185,000 for fiscal year 2012 and \$185,000 for fiscal year 2013. Capital appreciation bonds are not subject to redemption prior to maturity. At June 30, 2007, the accreted value of the capital appreciation bonds was \$204,024. The interest on the capital appreciation bonds represents the accretion of the deep-discounted bonds from the initial value at the time of issuance

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

11. DEBT OBLIGATIONS (Continued)

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2007 are as follows:

General Obligation Bonds					
Fiscal Year Ending	Serial Principal	Term Principal	Capital Appreciation	Interest	Total Amount
2008	\$150,000			\$ 179,768	\$ 329,768
2009	150,000			173,693	323,693
2010	160,000			167,258	327,258
2011	170,000			160,243	330,243
2012	175,000			152,737	327,737
2013-2017		\$ 575,000	\$109,999	962,563	1,647,562
2018-2022		1,175,000		458,948	1,633,948
2023-2025		1,155,000		124,556	1,279,556
Totals	\$805,000	\$2,905,000	\$109,999	\$2,379,766	\$6,199,765

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, 2007, the principal balance outstanding is \$98,665. Principal and interest requirements to retire the special assessment outstanding at June 30, 2007, are as follows:

Fiscal Year Ending	Principal	Interest	Amount
2008	\$ 4,056	\$ 5,861	\$ 9,917
2009	4,297	5,620	9,917
2010	4,552	5,365	9,917
2011	4,823	5,094	9,917
2012	5,109	4,808	9,917
2013-2017	30,477	19,108	49,585
2018-2022	40,670	8,916	49,586
2023	4,681	278	4,959
Total	\$98,665	\$55,050	\$153,715

12. INTERFUND TRANSERS

During 2007, the following transfers were made:

Transfers from the General Fund to Other Governmental Funds	\$ 8,933
Transfers from Agency Funds to Other Governmental Funds	674
Total	\$ 9,607

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

12. INTERFUND TRANSERS (Continued)

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.

13. 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 2007:

	Textbooks	Capital Improvements
Balance June 30, 2006	\$20,100	(\$4,490,966)
Current Year Set Aside Requirement	125,917	125,917
Qualifying Cash Disbursements Offset for the Current Year	(90,012)	(116,131)
Amount Carried Forward to Fiscal Year 2008		(4,481,180)
Set Aside Reserve Balance June 30, 2007	\$56,005	\$ 0

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

14. JOINTLY GOVERNED ORGANIZATIONS

A. 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 educational entities within the boundaries of Allen, Putnam, Mercer, Hancock, Van Wert, and Paulding Counties and Cities of Wapakoneta and St. Marys.

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

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

14. JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. Apollo Joint Vocational School

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

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

The Spencerville, Perry, and Bath Local Professional Development Committee is a consortium operated under the direction of a Board consisting of one representative from the educators of each school, along with two administrators from the member schools chosen by the superintendents. The Committee was formed to review coursework and other professional development activities completed by educators within the school districts and used for the renewal of certificates and licenses. As of June 30, 2007, 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 of 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 Peg Grimm, Treasurer, at the Auglaize County Educational Service Center, 1045 Dearbaugh Avenue, Suite 2, Wapakoneta, Ohio 45895.

E. West Central Regional Professional Development Center

The West Central Regional Professional Development Center (the Center) is a jointly governed organization among the 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 that are tied directly to school improvement, and in particular, to improvements in instructional programs.

The Center is governed by a board made up of 52 representatives of the participating 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 Greg Spiess, Treasurer, Hancock County Educational Service Center, 7746 Co. Rd. 140, Findlay, Ohio 45840-3087.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

14. JOINTLY GOVERNED ORGANIZATIONS (Continued)

F. Northwest Ohio Educational Research Council, Inc.

The Northwest Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training.

The NOERC serves a 25 county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village 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.

15. 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), 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 1920 Slabtown Rd., Lima, Ohio 45804.

B. Ohio School Plan

The School District participates in the Ohio School Plan (the Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its member which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services.

The Plan's business and affairs are conducted by a 15 member board consisting of superintendents, treasurers, the president of Harcum-Hyre Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Hyre Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Hyre Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

15. GROUP INSURANCE PURCHASING POOLS (Continued)

C. 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 25 member Board of directors consisting of two representatives from each county elected by a majority vote of all charter member schools within each county plus one representative from the fiscal agency A-site. The Treasurer of Findlay City Schools serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the Program to cover the costs of administering the program and its financial operations.

16. 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, 2007.

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 RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Federal Grantor/ Pass Through Grantor Program Title	Pass-Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. Department of Agriculture						
(Passed through Ohio Department of Education)						
Food Donation Program	N/A	10.550		\$49,851		\$49,851
Nutrition Cluster:						
School Breakfast Program	045781-05-PU-2007	10.553	\$39,163		\$39,163	
	045781-05-PU-2006		6,687		6,687	
Sub-total School Breakfast Program			<u>45,850</u>		<u>45,850</u>	
National School Lunch Program	045781-LLP4-2007	10.555	126,727		126,727	
	045781-LLP4-2006		22,450		22,450	
Sub-total National School Lunch Program			<u>149,177</u>		<u>149,177</u>	
Total Nutrition Cluster			<u>195,027</u>	<u>49,851</u>	<u>195,027</u>	<u>49,851</u>
Total U.S. Department of Agriculture			<u>195,027</u>	<u>49,851</u>	<u>195,027</u>	<u>49,851</u>
U.S. Department of Education						
(Passed through Ohio Department of Education)						
Title VI-B - Special Education Grants to States	045781-6BSF-2007	84.027	202,859		202,859	
Title I Grants to Local Educational Agencies	045781-C1S1-2007	84.010	118,226		118,226	
Safe and Drug-Free Schools and Communities	045781-DRS1-2006	84.186	3,377		3,377	
State Grants for Innovative Programs	045781-C2S1-2007	84.298	1,169		1,169	
Education Technology State Grants	045781-TJS1-2007	84.318	1,133		1,133	
Improving Teacher Quality State Grants	045781-TRS1-2007	84.367	51,107		51,107	
Total U.S. Department of Education			<u>377,871</u>		<u>377,871</u>	
Total Federal Financial Assistance			<u>\$572,898</u>	<u>\$49,851</u>	<u>\$572,898</u>	<u>\$49,851</u>

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

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2007**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (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 – FOOD DONATION PROGRAM

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.

NOTE C - NUTRITION CLUSTER

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

NOTE D - MATCHING REQUIREMENTS

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



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Perry Local School District, Allen County, (the School District), as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 22, 2008, wherein, we noted the School District uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the 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 an instance of noncompliance or other matter that we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2007-001.

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

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

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

Mary Taylor, CPA
Auditor of State

January 22, 2008



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Perry Local School District, Allen County, (the 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 program for the year ended June 30, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal program. 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, Allen County, complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2007.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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**Internal Control Over Compliance
(Continued)**

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

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

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

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



Mary Taylor, CPA
Auditor of State

January 22, 2008

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007**

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

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

FINDING NUMBER 2007-001

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 prepared 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 its financial statements in accordance with generally accepted accounting principles.

Officials Response:

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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Ohio Rev. Code Section 117.38; Ohio Admin. Code Section 117-2-03 (B) Report should be filed in accordance with generally accepted accounting principles.	No	Repeated as 2007-001 Report filed Cash OCBOA/GASB 34



Mary Taylor, CPA
Auditor of State

PERRY LOCAL SCHOOL DISTRICT

ALLEN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 6, 2008**