



Mary Taylor, CPA
Auditor of State

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets – Cash Basis – June 30, 2010	9
Statement of Activities – Cash Basis – For the Fiscal Year Ended June 30, 2010	10
Fund Financial Statements:	
Statement of Assets and Fund Balances - Cash Basis – Governmental Funds – June 30, 2010	11
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balances – Cash Basis - Governmental Funds – For the Fiscal Year Ended June 30, 2010.....	12
Statement of Receipts, Disbursements and Change in Fund Cash Balance – Budget and Actual – Budget Basis - General Fund – For the Fiscal Year Ended June 30, 2010	13
Statement of Fiduciary Net Assets – Cash Basis - Fiduciary Funds – June 30, 2010	14
Statement of Changes in Fiduciary Net Assets – Cash Basis - Fiduciary Funds – For the Fiscal Year Ended June 30, 2010.....	15
Notes to the Basic Financial Statements	17
Schedule of Federal Awards Receipts and Expenditures	37
Notes to the Schedule of Federal Awards Receipts and Expenditures	38
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Governmental Auditing Standards</i>	39
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Programs and on Internal Control Over Compliance Required by OMB Circular A-133	41
Schedule of Findings.....	43
Schedule of Prior Audit Findings.....	45

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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 fiscal year ended June 30, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Perry Local School District, Allen County, as of June 30, 2010, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the fiscal year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2010, 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.

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

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

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

Mary Taylor, CPA
Auditor of State

October 27, 2010

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
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, 2010, 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 2010 are as follows:

- In total, net assets of governmental activities increased \$111,610, which is not a significant change from the prior fiscal year. This was due, in part, to a moderate increase in intergovernmental receipts, and tuition and fees.
- General revenues account for \$5,300,488 or 62 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. To compensate for these reductions, the Board of Education signed one year contract agreements with each union, which will help reduce the board's share of healthcare costs. The School District will continue to reduce when possible.
- The School District ended the fiscal year in the black, with a deficit projected on the five-year forecast in FY 2013 and FY 2014. 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, 2010
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 2010, 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 – All 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, 2010
UNAUDITED
(Continued)**

THE SCHOOL DISTRICT AS A WHOLE

Table 1 provides a summary of the School District's net assets for fiscal year 2010 compared to fiscal year 2009 on the cash basis of accounting.

**Table 1
Net Assets**

	Governmental Activities 2010	Governmental Activities 2009
Assets:		
Cash and Cash Equivalents	\$3,188,163	\$3,076,553
Net Assets:		
Restricted For:		
Capital Projects	102,282	86,741
Debt Service	446,951	441,701
Other Purpose	323,321	277,826
Unrestricted	2,315,609	2,270,285
Total Net Assets	\$3,188,163	\$3,076,553

Table 2 reflects the changes in net assets for fiscal year 2010 compared to fiscal year 2009 on the cash basis of accounting.

**Table 2
Change in Net Assets**

	Governmental Activities 2010	Governmental Activities 2009
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$2,199,849	\$1,834,870
Operating Grants and Contributions	1,079,003	937,753
Total Program Receipts	3,278,852	2,772,623
General Receipts:		
Property Taxes Levied for:		
General Purpose	2,408,367	2,624,237
Debt Service	264,971	287,729
Capital Outlay	85,625	95,152
Grants and Entitlements	2,498,792	2,215,660
Interest	20,652	69,088
Miscellaneous	22,081	23,754
Total General Receipts	5,300,488	5,315,620
Total Receipts	8,579,340	8,088,243

(Continued)

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

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

	Governmental Activities 2010	Governmental Activities 2009
Disbursements:		
Instruction:		
Regular	2,887,856	2,886,120
Special	1,209,344	834,602
Other	737,913	912,804
Support Services:		
Pupil	234,804	194,042
Instructional Staff	244,198	237,809
Board of Education	24,250	32,168
Administration	588,709	593,508
Fiscal	258,288	248,131
Operation and Maintenance of Plant	706,802	764,758
Pupil Transportation	414,133	327,285
Central	1,840	2,240
Operation of Food Services	414,503	417,694
Operation of Non-Instructional Services		
Extracurricular Activities	309,205	294,021
Capital Outlay	74,711	35,745
Debt Service:		
Principal	184,327	173,183
Interest	176,847	203,165
Total Disbursements	<u>8,467,730</u>	<u>8,157,275</u>
Increase/Decrease in Net Assets	<u>\$ 111,610</u>	<u>(\$ 69,032)</u>

Program revenues account for 38 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 57 percent of all governmental disbursements.

Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for approximately 11 percent of governmental disbursements. Maintenance of the School District's facilities also represents a significant expense, 8 percent. Therefore, 76 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 2010 and 2009. 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, 2010
UNAUDITED
(Continued)**

**Table 3
Cost of Services**

	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
Instruction:				
Regular	\$2,887,856	\$932,044	\$2,886,120	\$1,064,753
Special	1,209,344	437,188	834,602	411,679
Other	737,913	693,186	912,804	909,607
Support Services:				
Pupils	234,804	232,304	194,042	191,542
Instructional Staff	244,198	242,830	237,809	236,614
Board of Education	24,250	24,250	32,168	32,168
Administration	588,709	583,755	593,508	588,269
Fiscal	258,288	258,288	248,131	248,131
Operation and Maintenance of Plant	706,802	706,802	764,758	764,758
Pupil Transportation	414,133	414,133	327,285	319,743
Central	1,840	(660)	2,240	(260)
Operation of Food Services	414,503	349	417,694	1,245
Operation of Non-Instructional Services				
Extracurricular Activities	302,205	228,524	294,021	204,310
Capital Outlay	74,711	74,711	35,745	35,745
Debt Service				
Principal	184,327	193,916	173,184	173,184
Interest	176,847	167,258	203,164	203,164
Total Disbursements	<u>\$8,467,730</u>	<u>\$5,188,878</u>	<u>\$8,157,275</u>	<u>\$5,384,652</u>

The dependence upon tax receipts and unrestricted state entitlements is apparent as 43 percent of instruction activities are supported through taxes and other general receipts. Over 99% of the operation of food services was 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. Program revenues cover 76 percent of extracurricular activities expenses. This is primarily due to music and athletic fees, ticket sales, and gate receipts. For all governmental activities, support from general revenues is 61 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 \$8,579,340 and disbursements \$8,467,730, net of transfers. The positive change of \$111,610 in fund balance for the year indicates that the School District was able to meet current costs with current revenues.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2010, the School District amended its General Fund budget as needed. Final budgeted receipts, in the amount of \$6,862,980, were above original budgeted receipts of \$6,483,350. The \$10,446 difference between the final budgeted receipts and actual receipts is generally insignificant.

Final disbursements were budgeted at \$6,879,362 while actual disbursements were \$6,827,363, net of transfers. The School District was able to restrict spending to what was anticipated. The School District experienced lower regular instruction, special 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, 2010, the School District's outstanding debt included a bond issue in the amount of \$3,524,922 for school improvements, \$83,418 in special assessment debt for the installation of a water line, and \$463,300 for the installation of a sewer system. During the fiscal year 2010, the School District paid principal in the amount of \$160,000 on the bond issue, \$4,683 on its special assessment debt for the water line, and \$19,644 on its special assessment debt for the sewer system. Further information on these debt instruments can be found at Note 10 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, 2010**

	<u>Governmental Activities</u>
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$3,188,163
Total Assets	<u>3,188,163</u>
Net Assets	
Restricted for:	
Capital Projects	102,282
Debt Service	446,951
Other Purposes	323,321
Unrestricted	<u>2,315,609</u>
Total Net Assets	<u><u>\$3,188,163</u></u>

See accompanying notes to the basic financial statements.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

		Program Revenues		Net (Disbursements) Receipts and Changes in Net Assets
	Cash	Charges	Operating	Governmental
	Disbursements	for Services and Sales	Grants and Contributions	Activities
Governmental Activities				
Instruction:				
Regular	\$2,887,856	\$1,797,243	\$158,569	(\$932,044)
Special	1,209,344	205,063	567,093	(437,188)
Other	737,913		44,727	(693,186)
Support Services:				
Pupil	234,804		2,500	(232,304)
Instructional Staff	244,198		1,368	(242,830)
Board of Education	24,250			(24,250)
Administration	588,709		4,954	(583,755)
Fiscal	258,288			(258,288)
Operation and Maintenance of Plant	706,802			(706,802)
Pupil Transportation	414,133			(414,133)
Central	1,840		2,500	660
Operation of Food Services	414,503	126,857	287,297	(349)
Operation of Non-Instructional Services				
Extracurricular Activities	309,205	70,686	9,995	(228,524)
Capital Outlay	74,711			(74,711)
Debt Service				
Principal	184,327			(184,327)
Interest and Fiscal Charges	176,847			(176,847)
Total Governmental Activities	\$8,467,730	\$2,199,849	\$1,079,003	(5,188,878)
 General Receipts				
Property Taxes Levied for:				
General Purposes				2,408,367
Debt Service				264,971
Capital Outlay				85,625
Grants and Entitlements not				
Restricted to Specific Programs				2,498,792
Investment Earnings				20,652
Miscellaneous				22,081
Total General Receipts				5,300,488
 Change in Net Assets				 111,610
 Net Assets Beginning of Year				 3,076,553
 Net Assets End of Year				 \$3,188,163

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, 2010**

	<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	\$2,316,286	\$446,951	\$355,415	\$3,118,652
Restricted Assets				
Equity in Pooled Cash and Cash Equivalents	69,511			69,511
Total Assets	<u>2,385,797</u>	<u>446,951</u>	<u>355,415</u>	<u>3,188,163</u>
Fund Balances:				
Reserved for Encumbrances	55,413		30,141	85,554
Reserved for Textbooks	69,511			69,511
Unreserved, Reported in:				
General Fund	2,260,873			2,260,873
Special Revenue Funds			251,347	251,347
Debt Service Fund		446,951		446,951
Capital Projects Funds			73,927	73,927
Total Fund Balances	<u>\$2,385,797</u>	<u>\$446,951</u>	<u>\$355,415</u>	<u>\$3,188,163</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, 2010**

	<u>General</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash Receipts:				
Property Taxes	\$2,408,367	\$264,971	\$85,625	\$2,758,963
Intergovernmental	2,436,320	73,456	1,053,070	3,562,846
Interest	19,675	586	391	20,652
Tuition and Fees	1,986,856		20,833	2,007,689
Extracurricular Activities			64,477	64,477
Gifts and Donations	127		14,148	14,275
Charges for Services (Food Service)			126,857	126,857
Miscellaneous	22,081		1,500	23,581
Total Receipts	<u>6,873,426</u>	<u>339,013</u>	<u>1,366,901</u>	<u>8,579,340</u>
Cash Disbursements:				
Current:				
Instruction:				
Regular	2,714,646		173,210	2,887,856
Special	680,344		529,000	1,209,344
Other	735,364		2,549	737,913
Support Services:				
Pupil	202,332		32,472	234,804
Instructional Staff	239,389		4,809	244,198
Board of Education	24,250			24,250
Administration	573,924		14,785	588,709
Fiscal	249,571	6,505	2,212	258,288
Operation and Maintenance of Plant	703,982		2,820	706,802
Pupil Transportation	414,133			414,133
Central			1,840	1,840
Operation of Food Services			414,503	414,503
Extracurricular Activities	229,666		79,539	309,205
Capital Outlay	4,349		70,362	74,711
Debt Service:				
Principal Retirement		160,000	24,327	184,327
Interest and Fiscal Charges		167,258	9,589	176,847
Total Disbursements	<u>6,771,950</u>	<u>333,763</u>	<u>1,362,017</u>	<u>8,467,730</u>
Receipts Over Disbursements	101,476	5,250	4,884	111,610
Other Financing Sources(Uses):				
Transfers In			13,949	13,949
Transfers Out	(13,949)			(13,949)
Total Other Financing Sources(Uses)	<u>(13,949)</u>		<u>13,949</u>	
Net Change in Fund Balances	87,527	5,250	18,833	111,610
Fund Balances Beginning of Year	<u>2,298,270</u>	<u>441,701</u>	<u>336,582</u>	<u>3,076,553</u>
Fund Balances at End of Year	<u>\$2,385,797</u>	<u>\$446,951</u>	<u>\$355,415</u>	<u>\$3,188,163</u>

See accompanying notes to the basic financial statements.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Receipts:				
Property and Other Local Taxes	\$2,324,000	\$2,409,900	\$2,408,367	(\$1,533)
Intergovernmental	2,464,650	2,423,650	2,436,320	12,670
Interest	60,000	19,000	19,675	675
Tuition and Fees	1,579,000	1,988,000	1,986,856	(1,144)
Gifts and Donations	100	130	127	(3)
Miscellaneous	55,600	22,300	22,081	(219)
Total Receipts	<u>6,483,350</u>	<u>6,862,980</u>	<u>6,873,426</u>	<u>10,446</u>
Disbursements:				
Instruction:				
Regular	2,941,300	2,745,941	2,718,668	27,273
Special	609,970	683,754	680,744	3,010
Other	781,350	738,920	736,064	2,856
Support Services:				
Pupils	203,280	203,469	202,332	1,137
Instructional Staff	250,070	240,980	239,389	1,591
Board of Education	22,600	30,010	29,777	233
Administration	576,800	579,011	576,981	2,030
Fiscal	241,500	265,909	265,195	714
Operation and Maintenance of Plant	748,850	733,058	729,026	4,032
Pupil Transportation	332,650	418,005	415,172	2,833
Extracurricular Activities	225,210	235,905	229,666	6,239
Capital Outlay	6,500	4,400	4,349	51
Total Disbursements	<u>6,940,080</u>	<u>6,879,362</u>	<u>6,827,363</u>	<u>51,999</u>
Excess of Receipts Over (Under) Disbursements	<u>(456,730)</u>	<u>(16,382)</u>	<u>46,063</u>	<u>62,445</u>
Other Financing Uses:				
Transfers Out		<u>(14,000)</u>	<u>(13,949)</u>	<u>51</u>
Net Change in Fund Balance	(456,730)	(30,382)	32,114	62,496
Fund Balance Beginning of Year	2,174,855	2,174,855	2,174,855	
Prior Year Encumbrances Appropriated	<u>123,415</u>	<u>123,415</u>	<u>123,415</u>	
Fund Balance at End of Year	<u>\$1,841,540</u>	<u>\$2,267,888</u>	<u>\$2,330,384</u>	<u>\$62,496</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, 2010**

	Private Purpose Trust	Agency
Assets:		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$5,462	\$23,712
Cash and Cash Equivalents in Segregated Accounts		25,777
Total Assets	5,462	49,489
Net Assets:		
Restricted for Flexible Spending Plan		25,777
Restricted for Scholarships	5,462	
Held for Students		23,712
Total Net Assets	\$5,462	\$49,489

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, 2010**

	<u>Private Purpose Trust</u>
Additions;	
Interest	\$7
Total Additions	<u>7</u>
Deductions:	
Payments in Accordance with Trust Agreements	<u> </u>
Change in Net Assets	7
Net Assets - Beginning of Year	<u>5,455</u>
Net Assets - End of Year	<u><u>\$5,462</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, 2010**

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 33 classified employees, 54 certified teaching personnel, and 4 administrative employees who provide services to 856 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 four 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, the Spencerville, Perry and Bath Local Professional Development Committee, the Northwest Ohio Educational Research Council, Inc., the Allen County Schools Health Benefit Plan, the Ohio School Plan, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 13 and 14 of the financial statements.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(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 other than generally accepted accounting principles.

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

Following are the more significant of the 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, 2010
(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, and an employee Section 125 plan.

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, 2010
(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 2010, the School District invested in U.S. Treasury Notes, Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes, Federal Home Loan Bank Notes, Federal Farm Credit Bank Notes, non-negotiable certificates of deposit, a money market fund, and STAR Ohio. Investments are reported at cost, which approximates market value.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(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, 2010.

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 2010 was \$19,675, which includes \$197 assigned from other 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, 2010, 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 8 and 9, 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, 2010
(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 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. The School District can be fined and various other administrative remedies may be taken against the School District.

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	\$2,385,797
(Decrease) due to encumbrances outstanding at Fiscal Year End	(55,413)
Budget Basis	<u>\$2,330,384</u>

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(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, 2010
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

At year end, the School District had \$50 in un-deposited 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 \$396,624, and the bank balance was \$469,539. 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, \$0 of the School District's bank balance of \$469,539 was exposed to custodial credit risk because all deposits were covered by FDIC Insurance.

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 \$25,777, 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, 2010 the School District had the following investments.

	Carrying Value	Market Value	Maturity
U.S. Treasury Money Market	\$ 205,552	\$ 205,552	Current
U.S. Treasury Note	180,143	181,209	September 30, 2011
U.S. Treasury Note	250,499	251,758	October 31, 2011
U.S. Treasury Note	100,064	100,750	March 31, 2012
U.S. Treasury Note	199,913	201,063	February 29, 2012
U.S. Treasury Note	201,370	201,875	January 16, 2012
Federal National Mortgage Note	160,000	160,936	May 25, 2012
Federal National Mortgage Note	200,088	200,433	September 28, 2011
Totals	<u>1,497,629</u>	<u>\$1,503,576</u>	
Star Ohio	<u>1,323,034</u>		
Total Investments	<u><u>\$2,820,663</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 National Mortgage Notes carry a rating of Aaa by Moodys. STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. STAR Ohio had an average of maturity of 30.4 days and carried a rating of AAA by Standard and Poor's.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(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 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
U.S. Treasury Money Market	\$ 205,552	7.29%
U.S. Treasury Notes	931,989	33.04%
Federal National Mortgage Notes	360,088	12.77%
Star Ohio	1,323,034	46.90%
Total Investments	\$2,820,663	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 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, 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 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, 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, 2010
(Continued)**

6. PROPERTY TAXES (Continued)

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 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, 2010, are available to finance fiscal year 2010 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 2010 taxes were collected are:

	2009 Second- Half Collections		2010 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Agricultural/Residential				
And Other Real Estate	\$88,578,380	95.08%	\$102,899,730	95.84%
Public Utility Property	4,588,430	4.92%	4,463,480	4.16%
Total Assessed Value	<u>\$93,166,810</u>	<u>100.00%</u>	<u>\$107,363,210</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$44.74		\$43.73	

7. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010, the School District contracted with the Ohio School Plan for general liability, educational legal liability and fleet insurance, and with Indiana Insurance Company for property insurance.

Coverages provided by the various insurances are as follows:

Building and Contents - Replacement Cost	\$21,870,608
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.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

7. RISK MANAGEMENT (Continued)

For fiscal year 2010, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

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

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

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

8. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer public employee retirement 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 stand-alone financial report that may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, OH 43215-3746.

Funding Policy - For the fiscal year ended June 30, 2010, plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current 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 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations; 9.09 percent was the portion used to fund fiscal year 2009. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 were \$112,874, \$75,052, and \$73,064, respectively; 42 percent has been contributed for fiscal year 2010, and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System

Plan Description - The School District contributes to 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 State Teachers Retirement System of Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio Web Site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DCP 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 fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DCP and DB Plan. In the CP, member contributions are invested by the member, and employer contributions are used to fund the defined payment at a reduced level from the regular DBP. The DBP portion of the CP payment is payable to a member on or after age 60; the DCP portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2009, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$399,645, \$385,611, and \$377,180 and respectively; 96 percent has been contributed for fiscal year 2010, and 100 percent for fiscal years 2009 and 2008. Contributions for the DCP and CP for the fiscal year ended June 30, 2010, were \$1,854 made by the School District and \$1,324 made by plan members.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/ Employees Retirement System. As of June 30, 2010, none of the Board of Education members have elected Social Security.

9. POST-EMPLOYMENT BENEFITS

A. School Employees Retirement System

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2010, .46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2010, the surcharge amount was \$13,952.

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

The School District's contribution for health care for the fiscal years ended June 30, 2010, 2009 and 2008 was \$4,063, \$34,347, and \$33,342, respectively; 42 percent has been contributed for fiscal year 2010 and 100 percent for fiscal year 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2010, this actuarially required allocation was .76 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 was \$6,712, \$6,192, and \$5,264 respectively; 42 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

9. POST-EMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contribution for health care for the fiscal years ended June 30, 2010, 2009, and 2008 was \$30,885, \$29,709, and \$28,860, respectively; 96 percent has contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

10. DEBT OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2010 were as follows:

	Principal Outstanding 6/30/2009	Additions	Deductions	Principal Outstanding 6/30/2010	Due Within One Year
General Obligation Bonds:					
School Improvement Bonds					
Term Bonds 5.0 - 5.25%	\$2,905,000			\$2,905,000	
Serial Bonds 3.4 - 4.4%	505,000		\$160,000	345,000	\$170,000
Capital Appreciation Bonds 10.19%	109,999			109,999	
Accretion for Capital Bonds	138,906	\$26,017		164,923	
Total Improvement Bonds	3,658,905	26,017	160,000	3,524,922	170,000
Special Assessment Debt:					
Water Line Assessment	88,101		4,683	83,418	2,418
Sewer Line Assessment (restated)	482,944		19,644	463,300	8,212
Total Special Assessment Debt	571,045		24,327	546,718	10,630
Total Long-Term Obligations	\$4,229,950	\$26,017	\$184,327	\$4,071,640	\$180,630

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, 2010
(Continued)**

10. 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, 2010, the accreted value of the capital appreciation bonds was \$274,922. The interest on the capital appreciation bonds represents the accretion of the deep-discounted bonds from the initial value at the time of issuance to their value at final maturity of \$370,000.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2010 are as follows:

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

10. DEBT OBLIGATIONS (Continued)

General Obligation Bonds					
Fiscal Year Ending	Serial Principal	Term Principal	Capital Appreciation	Interest	Total Amount
2011	\$170,000			\$ 160,243	\$ 330,243
2012	175,000			152,738	327,738
2013			\$ 57,731	276,156	333,887
2014			52,268	281,619	333,887
2015		\$ 180,000		144,388	324,388
2016-2020		1,065,000		572,192	1,637,192
2021-2025		1,355,000		263,709	1,618,709
2026		305,000		8,006	313,006
Totals	<u>\$345,000</u>	<u>\$2,905,000</u>	<u>\$109,999</u>	<u>\$1,859,051</u>	<u>\$5,219,050</u>

Special Assessment Debt – Water Line - 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, 2010, the principal balance outstanding is \$84,418. Principal and interest requirements to retire the special assessment outstanding at June 30, 2010, are as follows:

Fiscal Year Ending	Principal	Interest	Amount
2011	\$ 2,481	\$ 2,478	\$ 4,959
2012	5,110	4,808	9,918
2013	5,413	4,504	9,917
2014	5,735	4,183	9,918
2015	6,075	3,842	9,917
2016-2020	36,237	13,349	49,586
2021-2023	22,367	2,425	24,792
Total	<u>\$83,418</u>	<u>\$35,589</u>	<u>\$119,007</u>

Special Assessment Debt – Sewer System - During November 2008, the School District entered into a contract with the Board of County Commissioners, Allen County, Ohio to construct, operate, and maintain sanitary sewer facilities. Installation was completed in May of 2009. The cost to the School District was \$484,480. The unpaid balance was certified to the Allen County Auditor for collection as a special assessment beginning in fiscal year 2010. However, Allen County did not finalize the debt agreement with OWDA for this project until fiscal year 2010. The amounts presented in the fiscal year 2009 note were based on estimates. For fiscal year 2010, the sewer line assessment amounts have been restated to agree to the finalized debt agreement that the County has obtained through OWDA. As of June 30, 2010, the principal balance outstanding is \$463,300. Principal and interest requirements to retire the special assessment outstanding at June 30, 2010, are as follows:

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

10. DEBT OBLIGATIONS (Continued)

Fiscal Year Ending	Principal	Interest	Amount
2011	\$ 8,212	\$ 7,944	\$ 16,156
2012	19,374	15,400	34,774
2013	20,042	14,732	34,774
2014	20,734	14,040	34,774
2015	21,449	13,325	34,774
2016-2020	118,866	55,004	173,870
2021-2025	140,830	33,040	173,870
2026-2029	113,793	7,915	121,708
Total	<u>\$463,300</u>	<u>\$161,400</u>	<u>\$624,700</u>

11. INTERFUND TRANSERS

During 2010, the following transfers were made:

Transfers from the General Fund to Other Governmental Funds	\$13,949
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Transfers are used to move unrestricted cash receipts collected in the general fund to other funds to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers and advances between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers or advances are reported on the statement of activities.

12. 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 2010:

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set Aside Reserve Balance June 30, 2009	\$27,307	
Current Year Set Aside Requirement	126,014	\$126,014
Qualifying Cash Disbursements	(83,810)	
Current Year Offsets		(85,625)
Prior Year Offset from Bond Proceeds		(40,389)
Set Aside Reserve Balance June 30, 2010	<u>\$69,511</u>	<u>\$ 0</u>

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

13. 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 Districts. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member educational entities within each county. Financial information can be obtained from Raymond Burden, who serves as Director, at 645 South Main Street, Lima, Ohio 45804.

B. Apollo Joint Vocational

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 the educators of each of the participating Districts' elected boards. The Board possesses its own budgeting and taxing authority. To obtain financial information, write to Apollo Joint Vocational School, Greg Bukowski, who serves as Treasurer, at 3325 Shawnee Road, Lima, Ohio 45806.

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

The Spencerville, Perry, and Bath Local Professional Development Committee is a consortium operated under the direction of a Board consisting of one representative from the educators of each , along with two administrators from the member s chosen by the superintendents. The Committee was formed to review coursework and other professional development activities completed by educators within the Districts and used for the renewal of certificates and licenses. As of June 30, 2010, there was no financial information available for this Committee.

D. Northwest Ohio Educational Research Council, Inc.

The Northwest Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a 25 county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village Districts, five local school districts, and five city school districts, as well as representatives from two private or parochial s 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.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

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

B. Ohio School Plan

The 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.

C. Ohio School Boards Association Worker's Compensation Group Rating Program

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

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

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

15. 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, 2010.

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.

16. SUBSEQUENT EVENTS

On September 7, 2010, the Board of Education adopted a resolution providing for the issuance of not to exceed \$2,905,000 School Improvement Refunding Bonds.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
United States Department of Agriculture					
(Passed through Ohio Department of Education)					
Child Nutrition Cluster:					
Non-Cash Assistance (Food Distribution)					
School Breakfast Program	10.553		\$2,445		\$2,445
National School Lunch Program	10.555		48,157		48,157
Cash Assistance:					
School Breakfast Program	10.553	\$64,874		\$64,874	
National School Lunch Program	10.555	214,622		214,622	
Total Nutrition Cluster		<u>279,496</u>	<u>50,602</u>	<u>279,496</u>	<u>50,602</u>
Total United States Department of Agriculture		<u>279,496</u>	<u>50,602</u>	<u>279,496</u>	<u>50,602</u>
United States Department of Education					
(Passed through Ohio Department of Education)					
Title 1 Cluster:					
Title I Grants to Local Educational Agencies	84.010	152,740		152,740	
ARRA Title I Grants to Local Educational Agencies, Recovery Act	84.389	69,111		59,880	
Total Title I Cluster		<u>221,851</u>		<u>212,620</u>	
Special Education Cluster:					
Special Education Grants to States	84.027	175,646		175,646	
ARRA Special Education Grants to States	84.391	164,500		164,500	
Total Special Education Cluster		<u>340,146</u>		<u>340,146</u>	
Safe and Drug-Free Schools and Communities	84.186	2,549		2,549	
Education Technology State Grants	84.318	1,368		1,368	
Improving Teacher Quality State Grants	84.367	52,596		52,596	
School Improvement Grants	84.377	7,500		5,707	
ARRA State Fiscal Stabilization Fund - Education State Grants	84.394	99,971		88,579	
Total United States Department of Education		<u>725,981</u>		<u>703,565</u>	
Total Federal Financial Assistance		<u>\$1,005,477</u>	<u>\$50,602</u>	<u>\$983,061</u>	<u>\$50,602</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, 2010**

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 DISTRIBUTION PROGRAM

The School District reports commodities consumed on the Schedule at the fair value. The School District allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities.

At June 30, 2010, the School District had no significant food commodities in inventory

NOTE C - CHILD NUTRITION CLUSTER

The School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.



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 fiscal year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 27, 2010, 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 opinions on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies, resulting in more than a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected.

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

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 2010-001.

We also noted a certain matter not requiring inclusion in this report that we reported to the School District's management in a separate letter dated October 27, 2010.

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 management, the audit committee, the Board of Education, and federal awarding agencies and pass-through entities, and others within the School District. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

October 27, 2010



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY 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 could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, Perry Local School District, Allen County complied, in all material respects, with the requirements referred to above that directly and materially affect its major federal programs for the fiscal year ended June 30, 2010.

Internal Control Over Compliance

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

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**Internal Control Over Compliance
(Continued)**

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

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

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



Mary Taylor, CPA
Auditor of State

October 27, 2010

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster - CFDA #84.027 & #84.391 Title I Cluster – CFDA #84.010 & #84.389
<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 2010-001

Noncompliance Citation

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

Ohio Adm. Code Section 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, 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 annual financial report in accordance with generally accepted accounting principles to provide more complete information for internal financial decision making and other external users.

OFFICIAL'S RESPONSE:

The Perry Board of Education continues to support their decision in processing the OCBOA statements as a means to save time and money for the School 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, 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (B) – Failure to prepare and file GAAP basis annual financial statements.	No	Repeated as finding number 2010-001

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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
NOVEMBER 18, 2010**