



Dave Yost • Auditor of State

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

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Dave Yost • 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, Ohio (the School District), as of and for the fiscal year ended June 30, 2011, 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 1, the accompanying financial statements and notes follow the modified 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 modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Perry Local School District, Allen County, Ohio, as of June 30, 2011, and the respective changes in modified cash financial position, thereof and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

As described in Note 11 during 2011 the School District adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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

We conducted our audit to opine on the School District's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, net cost of services, for governmental activities. The Schedule of Federal Awards Receipts and Expenditures (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the Schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.



Dave Yost
Auditor of State

January 19, 2012

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(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, 2011, 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 2011 are as follows:

- In total, net assets of governmental activities increased \$101,993, which is not a significant change from the prior fiscal year.
- General revenues account for \$8,678,345 or 73 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 two 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 2015. It is imperative that the Board continues to exercise fiscal caution in the current economic climate.
- The School District refunded \$2,904,999 of outstanding 2001 school improvement bonds.

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 Bond Retirement 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, 2011
(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 2011, 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 Bond Retirement 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, 2011
(UNAUDITED)
(Continued)**

The School District as A Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2011 compared to fiscal year 2010 on the cash basis of accounting.

**Table 1
Net Assets**

	Governmental Activities 2011	Governmental Activities 2010
Assets:		
Cash and Investments	\$3,290,156	\$3,188,163
Net Assets:		
Restricted For:		
Capital Outlay	137,439	102,282
Debt Service	437,898	446,951
Other Purpose	220,430	323,321
Set Asides	129,202	
Unrestricted	2,365,187	2,315,609
Total Net Assets	\$3,290,156	\$3,188,163

Table 2 reflects the changes in net assets for fiscal year 2011 compared to fiscal year 2010 on the cash basis of accounting.

**Table 2
Change in Net Assets**

	Governmental Activities 2011	Governmental Activities 2010
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$2,297,444	\$2,199,849
Operating Grants, Contributions and Interest	944,373	1,079,003
Capital Grants, Contributions and Interest	37,168	
Total Program Receipts	3,241,817	3,278,852
General Receipts:		
Property Taxes Levied for:		
General Purpose	2,509,143	2,408,367
Debt Service	207,699	264,971
Capital Projects	88,472	85,625
Grants and Entitlements, not Restricted	2,603,477	2,498,792
Interest	21,899	20,652
Premium on Refunding Bonds Issued	317,925	
Refunding bonds	2,904,999	
Miscellaneous	24,731	22,081
Total General Receipts	8,678,345	5,300,488
Total Receipts	11,957,330	8,579,340

(Continued)

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

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

	Governmental Activities 2011	Governmental Activities 2010
Disbursements:		
Instruction:		
Regular	\$3,009,908	\$2,887,856
Special	1,281,052	1,209,344
Student Intervention Services	2,952	
Other	600,021	737,913
Support Services:		
Pupil	422,422	234,804
Instructional Staff	266,107	244,198
Board of Education	26,645	24,250
Administration	603,152	588,709
Fiscal	244,247	258,288
Operation and Maintenance of Plant	735,359	706,802
Pupil Transportation	342,928	414,133
Central	5,065	1,840
Operation of Food Services	440,662	414,503
Operation of Non-Instructional Services	38	
Extracurricular Activities	281,512	309,205
Capital Outlay	44,768	74,711
Debt Service:		
Refunding Payment to Escrow	3,149,588	
Principal	242,780	184,327
Interest	82,795	176,847
Issuance Costs	73,336	
Total Disbursements	11,855,337	8,467,730
Increase/Decrease in Net Assets	\$ 101,993	\$ 111,610

Program revenues account for 27 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 41 percent of all governmental disbursements.

Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for approximately 9 percent of governmental disbursements. Maintenance of the School District's facilities also represents a significant expense, 6 percent. Therefore, 56 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 2011 and 2010. 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, 2011
(UNAUDITED)
(Continued)**

**Table 3
Cost of Services**

	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
Instruction:				
Regular	\$ 3,009,908	\$ 928,123	\$2,887,856	\$ 932,044
Special	1,281,052	780,840	1,209,344	437,188
Student Intervention Services	2,952	2,952		
Vocational		(1,857)		
Other	600,021	600,021	737,913	693,186
Support Services:				
Pupils	422,422	417,422	234,804	232,304
Instructional Staff	266,107	265,546	244,198	242,830
Board of Education	26,645	26,645	24,250	24,250
Administration	603,152	603,152	588,709	583,755
Fiscal	244,247	244,247	258,288	258,288
Operation and Maintenance of Plant	735,359	735,359	706,802	706,802
Pupil Transportation	342,928	214,923	414,133	414,133
Central	5,065	2,515	1,840	(660)
Operation of Non-Instructional Services	38	38		
Operation of Food Services	440,662	(1,056)	414,503	349
Extracurricular Activities	281,512	201,383	309,205	228,524
Capital Outlay	44,768	44,768	74,711	74,711
Debt Service:				
Refunding Payment to Escrow	3,149,588	3,149,588		
Principal	242,780	205,687	184,327	184,327
Interest	82,795	82,720	176,847	176,847
Issuance Costs	73,336	73,336		
Total Disbursements	\$11,855,337	\$8,576,352	\$8,467,730	\$5,188,878

Instruction and student support services comprise 47 percent of governmental program expenses in fiscal year 2011. Board of Education, Administration and Fiscal charges were 7 percent in fiscal year 2011. Fiscal expenses include payments to the County Auditor(s) for administrative fees and other administrative services provided by the School District. Pupil transportation and the operation and maintenance of facilities accounted for 9 percent in fiscal year 2011.

The dependence upon foundation revenues for governmental activities is apparent.

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 and other financing sources of \$11,957,330 and disbursements and other financing uses of \$11,855,337. The positive change of \$101,993 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, 2011
(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 2011, the School District amended its General Fund budget as needed. Final budgeted receipts, net of Other Financing Sources, in the amount of \$7,077,331 were over original budgeted receipts of \$6,742,115. The \$37,452 difference between the final budgeted receipts and actual receipts is generally insignificant.

Original disbursements were budgeted at \$6,860,336 while final disbursements were \$7,109,674, net of "Other Financing Uses." The School District was able to restrict spending to what was anticipated. The School District experienced lower regular instruction, special instruction, and 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, 2011, the School District's outstanding debt included a bond issue in the amount of \$3,379,849 for school improvements, \$78,456 in special assessment debt for the installation of a water line, and \$445,482 for the installation of a sewer system. During the fiscal year 2011, the School District paid principal in the amount of \$220,000 on the bond issue, \$4,962 on its special assessment debt for the water line, and \$17,818 on its special assessment debt for the sewer system. In October, 2010, the School District refunded \$2,904,999 of outstanding 2001 School Improvement Bonds. 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, 2011**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$3,290,156
Total Assets	<u><u>\$3,290,156</u></u>
Net Assets:	
Restricted for:	
Capital Outlay	137,439
Debt Service	437,898
Other Purposes	220,430
Set Asides	129,202
Unrestricted	2,365,187
Total Net Assets	<u><u>\$3,290,156</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, 2011**

	<u>Program Cash Receipts</u>			<u>Net (Disbursements) Receipts and Changes in Net Assets</u>	
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants, Contributions and Interest</u>	<u>Capital Grants, Contributions and Interest</u>	<u>Governmental Activities</u>
Governmental Activities:					
Instruction:					
Regular	\$3,009,908	\$2,032,973	\$48,812		(\$928,123)
Special	1,281,052	73,370	426,842		(780,840)
Student Intervention Services	2,952				(2,952)
Vocational			1,857		1,857
Other	600,021				(600,021)
Support Services:					
Pupils	422,422		5,000		(417,422)
Instructional Staff	266,107		561		(265,546)
Board of Education	26,645				(26,645)
Administration	603,152				(603,152)
Fiscal	244,247				(244,247)
Operation and Maintenance of Plant	735,359				(735,359)
Pupil Transportation	342,928		128,005		(214,923)
Central	5,065		2,550		(2,515)
Operation of Non-Instructional Services	38				(38)
Operation of Food Services	440,662	123,508	318,210		1,056
Extracurricular Activities	281,512	67,593	12,536		(201,383)
Capital Outlay	44,768				(44,768)
Repayment of Debt:					
Refunding Payment to Escrow	3,149,588				(3,149,588)
Principal	242,780			37,093	(205,687)
Interest	82,795			75	(82,720)
Issuance Costs	73,336				(73,336)
Total Governmental Activities	<u>\$11,855,337</u>	<u>\$2,297,444</u>	<u>\$944,373</u>	<u>\$37,168</u>	<u>(8,576,352)</u>
General Receipts:					
Property Taxes Levied for:					
General Purposes					2,509,143
Debt Service					207,699
Capital Projects					88,472
Grants and Entitlements not Restricted to Specific Programs					2,603,477
Interest					21,899
Premium on Refunding Bonds Issued					317,925
Refunding Bonds					2,904,999
Miscellaneous					24,731
Total General Receipts					<u>8,678,345</u>
Change in Net Assets					101,993
Net Assets - Beginning of Year					<u>3,188,163</u>
Net Assets - End of Year					<u><u>\$3,290,156</u></u>

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, 2011**

	<u>General Fund</u>	<u>Bond Retirement</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$2,365,187	\$437,898	\$357,869	\$3,160,954
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	<u>129,202</u>			<u>129,202</u>
Total Assets	<u><u>2,494,389</u></u>	<u><u>437,898</u></u>	<u><u>357,869</u></u>	<u><u>3,290,156</u></u>
Fund Balances:				
Non-spendable	677			677
Restricted	129,202	437,898	357,869	924,969
Assigned	61,090			61,090
Unassigned	<u>2,303,420</u>			<u>2,303,420</u>
Total Fund Balances	<u><u>\$2,494,389</u></u>	<u><u>\$437,898</u></u>	<u><u>\$357,869</u></u>	<u><u>\$3,290,156</u></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, 2011

	General Fund	Bond Retirement	All Other Governmental Funds	Total Governmental Funds
Receipts:				
Property and Other Local Taxes	\$2,509,143	\$207,699	\$88,472	\$2,805,314
Intergovernmental	2,410,222	70,403	1,091,960	3,572,585
Interest	21,899	43	32	21,974
Tuition and Fees	2,106,343			2,106,343
Rent	480			480
Extracurricular Activities	16,375		51,220	67,595
Gifts and Donations	4,916		7,515	12,431
Customer Sales and Services			123,510	123,510
Miscellaneous	5,541		6	5,547
Total Receipts	<u>7,074,919</u>	<u>278,145</u>	<u>1,362,715</u>	<u>8,715,779</u>
Disbursements				
Current:				
Instruction:				
Regular	2,824,814		185,094	3,009,908
Special	936,796		344,256	1,281,052
Student Intervention Services	2,952			2,952
Other	596,437		3,584	600,021
Support Services:				
Pupils	329,392		93,030	422,422
Instructional Staff	263,766		2,341	266,107
Board of Education	26,645			26,645
Administration	603,152			603,152
Fiscal	236,850	5,083	2,314	244,247
Operation and Maintenance of Plant	729,373		5,986	735,359
Pupil Transportation	214,923		128,005	342,928
Central			5,065	5,065
Operation of Non-Instructional Services			38	38
Operation of Food Services			440,662	440,662
Extracurricular Activities	222,118		59,394	281,512
Capital Outlay	3,122		41,646	44,768
Debt Service:				
Principal		220,000	22,780	242,780
Interest		62,115	20,680	82,795
Issuance Costs		73,336		73,336
Total Disbursements	<u>6,990,340</u>	<u>360,534</u>	<u>1,354,875</u>	<u>8,705,749</u>
Excess of Receipts Over (Under) Disbursements	84,579	(82,389)	7,840	10,030
Other Financing Sources (Uses):				
Refunding Bonds Issued		2,904,999		2,904,999
Premium on Refunding Bonds Issued		317,925		317,925
Refund of Prior Year Expenditures	18,627			18,627
Payment of Refunded Bond Escrow Agent		(3,149,588)		(3,149,588)
Total Other Financing Sources (Uses)	<u>18,627</u>	<u>73,336</u>		<u>91,963</u>
Net Change in Fund Balances	103,206	(9,053)	7,840	101,993
Fund Balance at Beginning of Year - Restated (Note 11)	<u>2,391,183</u>	<u>446,951</u>	<u>350,029</u>	<u>3,188,163</u>
Fund Balance at End of Year	<u>\$2,494,389</u>	<u>\$437,898</u>	<u>\$357,869</u>	<u>\$3,290,156</u>

See accompanying notes to the basic financial statements.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Receipts:				
Property and Other Local Taxes	\$2,418,000	\$2,510,500	\$2,509,143	(\$1,357)
Intergovernmental	2,268,040	2,410,540	2,410,222	(318)
Interest	22,000	22,200	21,899	(301)
Tuition and Fees	1,995,675	2,106,515	2,092,699	(13,816)
Rent	700	480	480	
Extracurricular Activities	21,400	16,476		(16,476)
Gifts and Donations	2,800	4,920		(4,920)
Miscellaneous	13,500	5,700	5,436	(264)
Total Receipts	<u>6,742,115</u>	<u>7,077,331</u>	<u>7,039,879</u>	<u>(37,452)</u>
Disbursements:				
Current:				
Instruction:				
Regular	2,824,271	2,881,116	2,804,809	76,307
Special	674,525	940,945	936,796	4,149
Student Intervention Services	2,120	3,010	2,952	58
Other	726,000	596,716	596,437	279
Support Services:				
Pupils	213,025	330,850	329,630	1,220
Instructional Staff	230,090	266,285	265,588	697
Board of Education	33,151	32,376	32,030	346
Administration	599,877	605,702	580,987	24,715
Fiscal	264,444	255,944	255,283	661
Operation and Maintenance of Plant	722,193	754,341	752,216	2,125
Pupil Transportation	333,390	215,970	215,352	618
Extracurricular Activities:				
Academic Oriented Activities	12,250	10,739	10,374	365
Sport Oriented Activities	210,000	203,125	202,728	397
School and Public Service Co-Curricular Activities	10,000	9,155	9,016	139
Capital Outlay:				
Site Improvement Services	5,000	3,400	3,322	78
Total Disbursements	<u>6,860,336</u>	<u>7,109,674</u>	<u>6,997,520</u>	<u>112,154</u>
Excess of Receipts Over (Under) Disbursements	(118,221)	(32,343)	42,359	74,702
Other Financing Sources (Uses):				
Transfers In	13,405	45		(45)
Advances In	32,000	27,000	27,000	
Refund of prior year expenditures		18,650	18,627	(23)
Transfers Out	(13,405)	(13,500)	(13,405)	95
Advances Out	(54,000)	(27,000)	(27,000)	
Total Other Financing Sources (Uses)	<u>(22,000)</u>	<u>5,195</u>	<u>5,222</u>	<u>27</u>
Net Change in Fund Balances	(140,221)	(27,148)	47,581	74,729
Fund Balance at Beginning of Year - Restated (Note 11)	2,329,708	2,329,708	2,329,708	
Prior Year Encumbrances Appropriated	55,413	55,413	55,413	
Fund Balance at End of Year	<u>\$2,244,900</u>	<u>\$2,357,973</u>	<u>\$2,432,702</u>	<u>\$74,729</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, 2011**

	Private Purpose Trust Fund	Agency Fund
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$5,462	\$25,276
Cash in Segregated Accounts		28,903
Total Assets	5,462	54,179
Net Assets:		
Flex Spending Plan		28,903
Held in Trust for Scholarships	5,462	
Held in Trust for Student Activities		25,276
Total Net Assets	\$5,462	\$54,179

See accompanying notes to the basic financial statements.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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 32 classified employees and 59 certificated full-time teaching personnel who provide services to 877 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 School, 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 Comp Management Workers' Compensation Group Rating Plan. These organizations are presented in Notes 14 and 15 of the financial statements.

The School District's management believes these financial statements present all activities for which the School District is financially accountable.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(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 disbursements and program receipts for each program or function of the School District's governmental activities. Direct disbursements are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program receipts 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. Receipts, which are not classified as program receipts are presented as general receipts of the School District, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general receipts 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, 2011
(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 all 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 Bond Retirement 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.

Bond Retirement Fund – The Bond Retirement 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 Bond Retirement Fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the Bond Retirement 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 to which the School District is bound to observe constraints imposed internally or externally.

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.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

D. Budgetary Process

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

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.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During fiscal year 2011, the School District invested in U.S. Treasury Notes, Federal National Mortgage Notes, Federal Home Loan Bank Notes, a money market fund, and STAR Ohio. Investments are reported at cost, which approximates market value.

STAROhio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2011.

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 2011 were \$21,899, which includes \$5,297 assigned from other funds.

F. Inventory and Prepaid Items

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

G. Capital Assets

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

H. Interfund Receivables/Payables

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

I. 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.

J. 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.

K. 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 another financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Equity Classifications

1. Government-Wide Statements

Equity is classified as net assets and is displayed in separate components:

- a. Restricted net assets** – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation adopted by the school district. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to disbursements for specified purposes. At June 30, 2011 the School District had no funds restricted by enabling legislation.
- b. Unrestricted net assets** – All other net assets that do not meet the definition of “restricted.”

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.

2. Fund Financial Statements

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

- a. Non-spendable** - The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.
- b. Restricted** - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.
- c. Committed** - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- d. Assigned** - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

M. 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. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

Transfers within governmental activities are eliminated on the government-wide financial statements.

N. Intergovernmental Receipts

Unrestricted intergovernmental receipts received on the basis of entitlement are recorded as receipts when the entitlement is received. Federal and State reimbursement type grants for the acquisition or construction of capital assets are recorded as receipts when the grant money is received.

O. Receipts and Disbursements

1. Program Receipts

In the Statement of Activities, receipts that are derived directly from each activity or from parties outside the School District's taxpayers are reported as program receipts. The School District has the following program receipts: charges for services and sales, operating and capital grants, contributions and interest.

All other governmental receipts are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

2. Disbursements

Governmental activities include the School District's programs and services, including instruction, support services, operation and maintenance of plant (buildings), pupil transportation, extracurricular activities, and food service operations.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Changes in Accounting Principles

For the fiscal year ended June 30, 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*" and GASB Statement No. 59, "*Financial Instruments Omnibus*."

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement classify fund balance as non-spendable, restricted, committed, assigned and/or unassigned.

GASB Statement No. 59 updated and improved existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of GASB No. 59 did not affect the presentation of the financial statements of the School District.

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

- (a) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a disbursement; and,
- (b) Some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis).

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

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Change in Fund Balance	
	General Fund
Cash basis	\$103,206
Decrease due to encumbrances	
Outstanding at Fiscal year End	(57,214)
Funds budgeted elsewhere**	1,589
Budget basis	\$ 47,581

** As part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a cash basis. This includes the unclaimed monies fund, public school support funds and uniform school supplies fund.

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;

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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).
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At fiscal year end, the School District had \$50 in un-deposited cash on hand which is included as part of "Equity in Pooled Cash and Investments".

A. Deposits

At fiscal year end, the carrying amount of the School District's deposits was \$30,282, and the bank balance was \$146,500. 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 fiscal year end, all of the School District's bank balance of \$146,500 was 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 \$28,903, 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.

B. Investments

As of June 30, 2011 the School District had the following investments.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

	<u>Carrying Value</u>	<u>Market Value</u>	<u>Maturity</u>
U.S. Treasury Money Market	\$ 216,860	\$ 216,860	Current
U.S. Treasury Note	180,143	180,394	September 30, 2011
U.S. Treasury Note	250,499	250,703	October 31, 2011
U.S. Treasury Note	100,064	100,609	March 31, 2012
U.S. Treasury Note	199,913	200,969	February 29, 2012
U.S. Treasury Note	201,370	201,063	January 15, 2012
Federal National Mortgage Note	200,846	200,372	April 25, 2013
Federal National Mortgage Note	150,347	150,265	September 27, 2012
Federal National Mortgage Note	190,113	190,783	February 26, 2013
Federal Home Loan Bank Note	202,001	201,302	August 22, 2012
Totals	<u>1,892,156</u>	<u>\$1,893,320</u>	
STAROhio	<u>1,398,406</u>		
Total Investments	<u>\$3,290,562</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 and Federal Home Loan Bank Note carry a rating of Aaa by Moody's. The U.S. Treasury Money Market and U.S. Treasury Notes carry a rating of AAAM by Standard and Poor's. STAROhio 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 STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. STAROhio had an average of maturity of 30.4 days and carried a rating of AAAM by Standard and Poor's.

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 and Federal Home Loan Bank Note 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.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

	Carrying Value	Percentage of Portfolio
U.S. Treasury Money Market	\$ 216,860	6.59%
U.S. Treasury Notes	931,989	28.32%
Federal National Mortgage Notes	541,307	16.45%
Federal Home Loan Bank Note	202,001	6.14%
STAROhio	1,398,406	42.50%
Total Investments	\$3,290,562	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 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, 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 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2011 (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 2011 were levied after October 1, 2010, on the value as of December 31, 2010. 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, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**PERRY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

6. PROPERTY TAXES (Continued)

The assessed values upon which fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Agricultural/Residential and Other Real Estate	\$102,899,730	95.84%	\$101,944,460	95.50%
Public Utility Property	4,463,480	4.16%	4,799,520	4.50%
Total Assessed Value	<u>\$107,363,210</u>	<u>100.00%</u>	<u>\$106,743,980</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$43.73		\$42.80	

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 2011, 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.

For fiscal year 2011, 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 Comp Management Worker's Compensation Group Rating Program (the Program), an insurance purchasing pool. The Program is intended to reduce premiums for the participants. The worker's compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the program.

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

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

7. RISK MANAGEMENT (Continued)

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 defined benefit pension plan. SERS provides retirement disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at www.ohsers.org under **Employers/Audit Resources**.

Funding Policy - For the fiscal year ended June 30, 2011, plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81%. The remaining 2.19% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. "

The School District's contribution to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$116,724, \$112,874, and \$75,052, respectively, which equaled the required contributions for each year.

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

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or an allowance based on member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC and DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB Plan portion of the payment is payable to a member on or after age 60; the DC Plan 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 DB or a Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2011, 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 2010, 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 contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$415,952, \$399,645, and \$385,611 and respectively; 83 percent has been contributed for fiscal year 2011, and 100 percent for fiscal years 2010 and 2009. Contributions for the DC and Combined Plans for the fiscal year ended June 30, 2011, were \$5,465 made by the School District and \$3,903 made by plan members.

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, 2011, none of the Board of Education members have elected Social Security.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

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 105e. For fiscal year 2011, 1.43 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 2011, the minimum compensation level was \$35,800.

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, 2011, 2010 and 2009 was \$28,266, \$4,063 and \$34,347, respectively, which equaled the required contributions for each year.

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 2011, 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, 2011, 2010, and 2009 was \$7,511, \$6,712, and \$6,192 respectively; 100 percent has been contributed for each respective fiscal year.

B. State Teachers Retirement System of Ohio

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

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

9. POST-EMPLOYMENT BENEFITS (Continued)

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 2011, 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, 2011, 2010, and 2009 was \$31,996, \$30,885, and \$29,709, respectively; 83 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

10. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2011 were as follows:

General Obligation Bonds	Principal Outstanding 6/30/2010	Additions	Deletions	Principal Outstanding 6/30/2011	Due Within One Year
2001 School Improvement Bonds:					
Term Bonds	\$2,904,999		\$2,904,999		
Serial Bonds	345,000		170,000	\$ 175,000	\$175,000
Capital Appreciation Bonds	109,999			109,999	
Accretion for Capital Bonds	164,923	\$ 29,999		194,912	
Total 2001 Improvement Bonds	3,524,921	29,999	3,074,999	479,911	175,000
2010 School Improvement Refunding Bonds:					
Term Bonds		200,000	50,000	150,000	50,000
Serial Bonds		2,630,000		2,630,000	
Capital Appreciation Bonds		74,999		74,999	
Accretion for Capital Bonds		44,939		44,939	
Total 2010 Refunding Bonds		2,949,938	50,000	2,899,938	50,000
Total General Obligation Bonds	3,524,921	2,979,927	3,124,999	3,379,849	225,000
Special Assessment Debt:					
Water Line Assessment	83,418		4,962	78,456	2,628
Sewer Line Assessment	463,300		17,818	445,482	9,769
Total Special Assessment Debt	546,718		22,780	523,938	12,397
Total Long-Term Obligations	\$4,071,639	\$2,979,927	\$3,147,779	\$3,903,787	\$237,397

2001 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.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

10. LONG-TERM OBLIGATIONS (Continued)

The term bonds maturing on December 1, 2018 through December 1, 2025, were 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. These term bonds were refunded during fiscal year 2011 by the proceeds of the 2010 School Improvement Refunding Bonds.

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:

Redemption Dated (Dates Inclusive)	
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, 2011, the accreted value of the capital appreciation bonds was \$304,911. 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.

2010 General Improvement Refunding Bonds: In October 2010, the District issued \$2,904,999 in voted general obligation bonds for the purpose of refunding a portion of the 2001 School Improvement Bonds originally issued in the aggregate principal amount of \$3,570,477 for the purpose of additions and renovations to the High School. The refunding bond issue consists of \$2,630,000 in serial bonds, \$200,000 in term bonds and \$74,999 in capital appreciation bonds. The serial bonds have interest rates ranging from 1.60 to 3.60 percent. \$230,000 of the serial bonds matures in 2014, with the remaining serial bonds maturing each year beginning in 2017 and ending 2025. Term bonds in the amount of \$200,000 have a 1.25 percent interest rate. \$50,000 of the term bonds matures in 2010, with the remaining term bonds maturing annually through 2013. Capital appreciation bonds in the amount of \$74,999 will accrete interest at rates from 2.60 to 2.90. The capital appreciation bonds mature December 1, 2015 and 2016 in the amounts of \$235,000 and \$240,000, respectively.

The refunding bond issue provides resources to purchase US Government securities that were placed in trust with an escrow agent, for the purpose of future debt service payments of \$2,904,999 of the 2001 bond issue. As a result, the refunded bonds are considered to be defeased and the District no longer has liabilities associated with those bonds.

The difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete refunding was \$277,286. The economic gain resulting from the refunding was \$219,772.

The Current Interest Refunding Bonds due December 1, 2013 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2010 and each December 1 thereafter at 100% of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

10. LONG-TERM OBLIGATIONS (Continued)

Year	Principal Amount to be Redeemed
2011	\$50,000
2012	\$50,000

Unless otherwise called for redemption, the remaining \$50,000 principal amount of the Bonds due December 1, 2013 is to be paid at stated maturity.

Capital appreciation bonds are not subject to redemption prior to maturity. At June 30, 2011, the accreted value of the capital appreciation bonds was \$119,938. 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 \$100,000. The School District's voted legal debt margin was \$6,665,009 with an unvoted debt margin of \$106,744 at June 30, 2011.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2011 are as follows:

Fiscal Year Ending	2001 Issue		2010 Issue			Interest / Accretion	Total
	Serial Bonds	Capital Appreciation Bonds	Serial Bonds	Term Bonds	Capital Appreciation Bonds		
2012	\$175,000			\$ 50,000		\$ 86,108	\$ 311,108
2013		\$ 57,731		50,000		208,902	316,633
2014		52,268		50,000		213,739	316,007
2015			\$ 230,000			78,855	308,855
2016					\$43,263	268,751	312,014
2017-2021			995,000		31,735	802,373	1,829,108
2022-2026			1,405,000			124,770	1,529,770
Total	<u>\$175,000</u>	<u>\$109,999</u>	<u>\$2,630,000</u>	<u>\$150,000</u>	<u>\$74,998</u>	<u>\$1,783,497</u>	<u>\$4,923,494</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, 2011, the principal balance outstanding is \$78,456. Principal and interest requirements to retire the special assessment outstanding at June 30, 2011, are as follows:

Fiscal Year Ending	Principal	Interest	Total
2012	\$ 2,628	\$ 2,330	\$ 4,958
2013	5,413	4,504	9,917
2014	5,735	4,182	9,917
2015	6,075	3,842	9,917
2016	6,435	3,481	9,916
2017-2021	38,240	11,196	49,436
2022-2023	13,930	1,096	15,026
Total	<u>\$78,456</u>	<u>\$30,631</u>	<u>\$109,087</u>

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

10. LONG-TERM OBLIGATIONS (Continued)

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. Allen County finalized the debt agreement with OWDA for this project in fiscal year 2010. The amounts presented in the fiscal year 2009 note were based on estimates. As of June 30, 2011, the principal balance outstanding is \$445,482.

Principal and interest requirements to retire the special assessment outstanding at June 30, 2011, are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 9,769	\$ 7,618	\$ 17,387
2013	20,042	14,732	34,774
2014	20,734	14,040	34,774
2015	21,449	13,325	34,774
2016	22,189	12,585	34,774
2017-2021	122,965	50,903	173,868
2022-2026	145,687	28,182	173,869
2027-2029	82,647	4,287	86,934
<u>Total</u>	<u>\$445,482</u>	<u>\$145,672</u>	<u>\$591,154</u>

11. RESTATEMENT OF FUND BALANCES/NET ASSETS

For fiscal year 2011, the School District modified its financial statements to reflect the modifications outlined in GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

The restatement had the following effect on fund balances as of June 30, 2010:

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balance at June 30, 2010	\$2,385,797	\$446,951	\$355,415	\$3,188,163
Change in Fund Structure	5,386		(5,386)	
Adjusted Fund Balance at June 30, 2010	<u>\$2,391,183</u>	<u>\$446,951</u>	<u>\$350,029</u>	<u>\$3,188,163</u>

The restatement had no effect on the governmental or fiduciary net assets.

12. FUND BALANCE

Fund balance is classified as non-spendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

12. FUND BALANCE (Continued)

	General	Bond Retirement	Other Governmental	Total Governmental
Non-spendable:				
Unclaimed funds	\$ 677			\$ 677
Total Non-spendable	677			677
Restricted for:				
Permanent Improvements			\$137,438	137,438
Set Asides	129,202			129,202
Debt Service		\$437,898		437,898
EMIS			218	218
Schoolnet			593	593
Extracurricular Activities			14,263	14,263
Help Line			832	832
Food Service Operations			146,338	146,338
Trust			58,187	58,187
Total Restricted	129,202	437,898	357,869	924,969
Assigned for:				
Unpaid Obligations	61,090			61,090
Total Assigned	61,090			61,090
Unassigned	2,303,420			2,303,420
Total Fund Balance	\$2,494,389	\$437,898	\$357,869	\$3,290,156

13. STATUTORY RESERVES

The School District is required by state law to set aside certain general fund receipt amounts, as defined, into various reserves. During the fiscal year ended June 30, 2011, the reserve activity was as follows:

	Textbook Reserve	Capital Maintenance Reserve
Set-aside restricted balance as of June 30, 2010	\$ 69,511	
Current year set-aside requirement	123,546	\$123,546
Current year qualifying disbursements	(63,855)	
Current year offsets		(88,472)
Prior Year Offset from Bond Proceeds		(35,074)
Total	\$129,202	\$ 0
Balance carried forward to fiscal year 2012	\$129,202	\$ 0
Set-aside restricted balance as of June 30, 2011	\$129,202	\$ 0

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. For capital acquisitions, a portion of this extra amount which represents proceeds from bonds, \$4,358,927, may be used to reduce the set-aside requirements for future years. Effective July 1, 2011, the textbook set-aside laws have been repealed.

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

14. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC) which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Putnam, Mercer, Hancock, Van Wert, and Paulding Counties and Cities of Wapakoneta and St. Marys. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member Districts. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member educational entities within each county. Financial information can be obtained from Raymond Burden, who serves as Director, at 645 South Main Street, Lima, Ohio 45804.

B. Apollo Joint Vocational School

The Apollo Joint Vocational School is a distinct political subdivision of the State of Ohio which provides vocational education to students, operates under the direction of a Board consisting of one representative from 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 members 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, 2011, 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 parochials and three institutions of higher 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, 2011
(Continued)**

15. GROUP INSURANCE PURCHASING POOLS

A. Allen County Schools Health Benefit Plan

The School District participates in the Allen County Schools Health Benefit Plan (the Trust), public entity shared risk pool consisting of the 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 Comp Management 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, 2011
(Continued)**

16. CONTINGENT LIABILITIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claim resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

B. Litigation

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

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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		\$3,117		\$3,117
National School Lunch Program	10.555		58,482		58,482
Cash Assistance:					
School Breakfast Program	10.553	\$74,214		\$74,214	
National School Lunch Program	10.555	236,548		236,548	
Total Nutrition Cluster		<u>310,762</u>	<u>61,599</u>	<u>310,762</u>	<u>61,599</u>
Total United States Department of Agriculture		<u>310,762</u>	<u>61,599</u>	<u>310,762</u>	<u>61,599</u>
United States Department of Education					
(Passed through Ohio Department of Education)					
Title 1 Cluster:					
Title I Grants to Local Educational Agencies	84.010	144,837		144,837	
ARRA Title I Grants to Local Educational Agencies, Recovery Act	84.389	15,888		25,119	
Total Title I Cluster		<u>160,725</u>		<u>169,956</u>	
Special Education Cluster:					
Special Education Grants to States	84.027	176,075		176,075	
ARRA Special Education Grants to States, Recovery Act	84.391	37,546		37,546	
Total Special Education Cluster		<u>213,621</u>		<u>213,621</u>	
Education Jobs Fund	84.410	128,005		128,005	
Educational Technology State Grants	84.318	561		561	
Improving Teacher Quality State Grants	84.367	48,812		48,812	
School Improvement Grants	84.377	52,500		54,293	
ARRA State Fiscal Stabilization Fund (SFSF)					
Education State Grants Recovery Act	84.394	124,891		136,282	
Total United States Department of Education		<u>729,115</u>		<u>751,530</u>	
Total Federal Financial Assistance		<u>\$1,039,877</u>	<u>\$61,599</u>	<u>\$1,062,292</u>	<u>\$61,599</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, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Perry Local School District's (the School District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - 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.

NOTE C – FOOD DONATION 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.



Dave Yost • 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, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 19, 2012, wherein we noted the School District uses a comprehensive accounting basis other than generally accepted accounting principles and adopted the provisions of Governmental Accounting Standards Board Statement No. 54. 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 the purpose of expressing our opinion 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, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the 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 we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-01.

We also noted certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated January 19, 2012.

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.



Dave Yost
Auditor of State

January 19, 2012



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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 (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 Perry Local School District's major federal programs for the fiscal year ended June 30, 2011. 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.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2011.

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.

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

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

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



Dave Yost
Auditor of State

January 19, 2012

**PERRY LOCAL SCHOOL DISTRICT
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster - CFDA #84.027 & #84.391 ARRA State Fiscal Stabilization Fund – Education State Grants Recovery Act, CFDA #84.394
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2011-01

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 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 file annual financial reports which are prepared using generally accepted accounting principles. However, the School District prepared its financial statements in accordance with the cash accounting basis. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The School District should prepare its financial statements according to generally accepted accounting principles to provide any user with more meaningful and useful financial statements.

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, 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Ohio Rev. Code Section 117.38 and Ohio Admin. Code 117-2-03(B) – Failed to prepare financial statements in accordance with GAAP	No	Repeated as finding number 2011-01.

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Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Perry Local School District, Allen County, (the District), has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on May 18, 2010, to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

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

Dave Yost
Auditor of State

January 19, 2012

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PERRY LOCAL SCHOOL DISTRICT

ALLEN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 16, 2012**