

**Perry Local School District**  
**Stark County, Ohio**  
*Audited Financial Statements*

*June 30, 2008*





Mary Taylor, CPA  
Auditor of State

Board of Education  
Perry Local School District  
4201 - 13th Street S.W.  
Massillon, Ohio 44646

We have reviewed the *Independent Auditor's Report* of the Perry Local School District, Stark County, prepared by Rea & Associates, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Perry Local School District is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

January 13, 2009

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**PERRY LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**JUNE 30, 2008**

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**PERRY LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**JUNE 30, 2008**

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**Rea & Associates, Inc.**  
ACCOUNTANTS AND BUSINESS CONSULTANTS

122 4th St. NW | PO Box 1020  
New Philadelphia, OH 44663-5120

November 26, 2008

To the Board of Education  
Perry Local School District  
Massillon, OH 44646

**Independent Auditor's Report**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Perry Local School District (the "School District"), as of and for the year ended June 30, 2008, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2008, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards," we have also issued our report dated November 26, 2008 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Perry Local School District  
Independent Auditor's Report  
November 26, 2008

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Hea & Associates, Inc.*

**Perry Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*

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The discussion and analysis of the 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, 2008. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for 2008 are as follows:

- ◆ In total, net assets of governmental activities increased \$4,868,280.
- ◆ Revenues for governmental activities totaled \$48,731,553 in 2008. Of this total, \$40,480,463, or approximately 83 percent consisted of general revenues while program revenues accounted for the balance of \$8,251,090, or approximately 17 percent.
- ◆ The School District had \$43,863,273 in expenses related to governmental activities; only \$8,251,090 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and school foundation) of \$48,731,553 were adequate to provide for these programs.
- ◆ Program expenses totaled \$43,863,273. Instructional expenses made up \$25,453,888 or 58 percent of this total while support services accounted for \$15,218,909 or 35 percent. Other expenses, \$3,190,476 rounded out the remaining 7 percent.
- ◆ Capital assets increased \$228,379 due to additional purchases exceeding current year depreciation.

**Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Perry Local School District as a whole entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets and Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next 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 nonmajor funds presented in total in one column. In the case of the Perry Local School District, the general fund is by far the most significant fund.

**Perry Local School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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***Reporting the School District as a Whole***

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2008?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting basis used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's *net assets* and *changes in those assets*. This change in net assets is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio which restrict 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's activities are classified as governmental. All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities as well as food services.

***Reporting the School District's Most Significant Funds***

***Fund Financial Statements***

The financial statements of the School District's major funds begins on page 13. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the permanent improvement capital projects fund.

***Governmental Funds***

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**Perry Local School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

***The School District as a Whole***

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2008 compared to 2007:

**Table 1**  
**Net Assets**  
**Governmental Activities**

	2008	2007
<b>Assets</b>		
Current and Other Assets	\$ 49,657,935	\$ 46,146,319
Capital Assets, Net	22,282,920	22,054,541
<i>Total Assets</i>	71,940,855	68,200,860
 <b>Liabilities</b>		
Other Liabilities	24,538,716	25,721,932
Long-Term Liabilities	4,544,887	4,492,956
<i>Total Liabilities</i>	29,083,603	30,214,888
 <b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	21,967,920	21,446,824
Restricted	4,830,836	4,624,497
Unrestricted	16,058,496	11,917,651
<i>Total Net Assets</i>	\$ 42,857,252	\$ 37,988,972

Total assets increased by \$3,739,995. An increase of \$228,379 in total capital assets reflects additional purchases exceeding depreciation. The majority of the increase in governmental assets can be attributed to an increase in cash and investments. Total liabilities decreased by \$1,131,285. This decrease was primarily the result of decreased deferred revenue due to a decrease in taxes receivable.

**Perry Local School District**  
*Management's Discussion and Analysis (Continued)*  
For the Fiscal Year Ended June 30, 2008

Table 2 shows the changes in net assets for fiscal year 2008 and 2007. This table presents two fiscal years in side-by-side comparisons in successive reporting years. This will enable the reader to draw further conclusion about the School District's financial status and possibly project future problems.

**Table 2**  
**Change in Net Assets**  
**Governmental Activities**

	2008	2007
<b>Revenues</b>		
<b><i>Program Revenues</i></b>		
Charges for Services	\$ 3,191,827	\$ 2,845,177
Operating Grants	4,867,074	4,679,681
Capital Grants	192,189	192,855
<b><i>Total Program Revenues</i></b>	<b>8,251,090</b>	<b>7,717,713</b>
<b><i>General Revenues</i></b>		
Property Taxes	20,851,792	21,438,652
Grants and Entitlements	18,052,922	17,301,630
Other	1,575,749	1,557,083
<b><i>Total General Revenues</i></b>	<b>40,480,463</b>	<b>40,297,365</b>
<b><i>Total Revenues</i></b>	<b>48,731,553</b>	<b>48,015,078</b>
<b><i>Program Expenses</i></b>		
Instruction:		
Regular	18,207,339	18,336,190
Special	4,495,003	4,091,726
Vocational	2,242,392	2,340,419
Adult/Continuing	20,709	16,880
Other	488,445	524,198
Support Services:		
Pupils	2,903,665	2,881,390
Instructional Staff	1,956,561	1,821,762
Board of Education	97,863	152,902
Administration	2,992,984	2,929,408
Fiscal	733,539	736,371
Business	125,828	134,550
Operation and Maintenance of Plant	4,043,578	3,761,406
Pupil Transportation	1,966,746	1,854,342
Central	398,145	443,979
Operation of Non-Instructional	2,013,243	1,987,678
Extracurricular Activities	1,153,499	1,040,658
Interest and Fiscal Charges	23,734	32,268
<b><i>Total Program Expenses</i></b>	<b>43,863,273</b>	<b>43,086,127</b>
<b><i>Change in Net Assets</i></b>	<b>4,868,280</b>	<b>4,928,951</b>
<b><i>Net Assets Beginning of Year</i></b>	<b>37,988,972</b>	<b>33,060,021</b>
<b><i>Net Assets End of Year</i></b>	<b>\$ 42,857,252</b>	<b>\$ 37,988,972</b>

**Perry Local School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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The vast majority of revenues supporting governmental activities are the general revenues. General revenues totaled \$40,480,463 which is approximately 83 percent of total revenue. The most significant portions of the general revenue are the property taxes which is approximately 43 percent of total revenue. Grants and entitlements not restricted to specific programs consisting of State foundation, homestead and rollback and personal property tax exemption consists of approximately 37 percent of total revenue. Other general revenue, accounts for approximately 3 percent of total revenue. The remaining amount of revenue received was in the form of program revenues, which equaled \$8,251,090 or 17 percent of total revenue.

***Governmental Activities***

The School District has carefully planned its financial existence by forecasting its revenues and expenses over the next five years. The School District's revenue growth is mostly dependent upon property tax increases and new construction. Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

Instruction comprises 58 percent of governmental program expenses. Additional supporting services for pupils, staff and business operations encompassed an additional 35 percent. The remaining 7 percent of program expenses is used for other obligations of the School District such as non-instructional services, extracurricular activities and interest and fiscal charges.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. Comparisons of 2008 to 2007 have been made in Table 3.

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**Perry Local School District**  
*Management's Discussion and Analysis (Continued)*  
For the Fiscal Year Ended June 30, 2008

**Table 3**  
**Total and Net Cost of Program Services**  
**Governmental Activities**

	Total Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2008	Net Cost of Services 2007
<b>Program Expenses</b>				
Instruction:				
Regular	\$ 18,207,339	\$ 18,336,190	\$ (16,621,757)	\$ (16,787,778)
Special	4,495,003	4,091,726	(2,377,163)	(2,185,726)
Vocational	2,242,392	2,340,419	(1,882,875)	(1,975,116)
Adult/Continuing	20,709	16,880	(1,381)	140
Other	488,445	524,198	(467,543)	(524,198)
Support Services:				
Pupils	2,903,665	2,881,390	(2,253,911)	(2,443,676)
Instructional Staff	1,956,561	1,821,762	(1,160,920)	(954,846)
Board of Education	97,863	152,902	(97,863)	(152,902)
Administration	2,992,984	2,929,408	(2,981,806)	(2,876,503)
Fiscal	733,539	736,371	(733,539)	(736,371)
Business	125,828	134,550	(125,828)	(134,550)
Operation and Maintenance of Plant	4,043,578	3,761,406	(3,849,676)	(3,624,239)
Pupil Transportation	1,966,746	1,854,342	(1,916,684)	(1,783,352)
Central	398,145	443,979	(352,358)	(404,086)
Operation of Non-Instructional Services	2,013,243	1,987,678	55,370	(53,849)
Extracurricular Activities	1,153,499	1,040,658	(820,515)	(699,094)
Interest and Fiscal Charges	23,734	32,268	(23,734)	(32,268)
<b>Total</b>	<b>\$ 43,863,273</b>	<b>\$ 43,086,127</b>	<b>\$ (35,612,183)</b>	<b>\$ (35,368,414)</b>

The dependence upon tax revenues for governmental activities is apparent. The community, as a whole, is the primary support for Perry Local School District students. Program revenues only account for 19 percent of all governmental expenses. Program revenues include charges for services, grants and contributions that are program specific.

### **The School District's Funds**

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues, including other financing sources of \$48,796,143 and expenditures of \$44,039,721. The net change in fund balance for the year was most significant in the general fund totaling \$4,279,014. While there were no significant fluctuations in revenues or expenditures in the last few years, revenues have consistently exceeded expenditures by approximately \$4 million. The fund balance of the permanent improvement fund increased \$349,281 due to revenues increasing faster than expenditures.

### **General Fund Budgeting Highlights**

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the main operating fund of the School District, the general fund.

**Perry Local School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

During the course of fiscal year 2008, the School District amended its general fund budget several times. For the general fund, the final budget basis revenue including other financing sources was \$42,753,757 representing a \$1,094,546 increase from the original budget estimate of \$41,659,211. Most of this difference is due to an underestimation of intergovernmental revenue. The School District's general fund unencumbered cash balance at the end of the fiscal year was \$23,416,430.

For the other non-significant budget amendments, the School District uses a site-based style of budgeting and had in place systems that are designed to tightly control site budgets but provide flexibility for site management. Building principles are given a per pupil allocation for textbooks, instructional materials and equipment.

**Capital Assets**

At the end of fiscal year 2008, the School District had \$22,282,920 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. Table 4 shows fiscal year 2008 balances compared with 2007.

**Table 4**  
**Capital Assets at June 30**  
**Governmental Activities**

	2008	2007
Construction in Progress	\$ 0	\$ 566,939
Land	1,366,878	1,366,878
Land Improvements	1,153,687	1,204,077
Buildings and Improvements	17,126,436	16,521,151
Furniture and Equipment	996,713	792,772
Vehicles	1,639,206	1,602,724
<i>Total</i>	\$ 22,282,920	\$ 22,054,541

All capital assets are reported net of depreciation. The \$228,379 increase in capital assets was attributable to additional purchases exceeding current year depreciation. See note 8 to the basic financial statements for more detail on the capital assets of the School District.

Senate Bill 345 requires the School District to set aside \$162.09 per pupil of certain general fund revenues in each of two areas, one for the purchase of textbooks and materials related to instruction and the other for capital outlay. For fiscal year 2008, this amounted to \$741,351 for each purpose. The School District had qualifying disbursements exceeding both the capital and maintenance requirement and the textbook and instructional materials and supplies requirement. More detailed information is presented in Note 18 of the notes to the basic financial statements.

**Perry Local School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**Current Issues**

The Perry Local School District continues to receive strong support from the residents of the School District. As the preceding information shows, the School District relies heavily on its local property taxpayers. The last operating levy passed by the residents of the district was in November, 2003. The Board of Education anticipates the renewal levy will generate sufficient revenues for a period of 5 years and anticipates an additional tax request in the next 5 year period.

Real estate and personal property tax collections have shown small increases. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a levy will not increase solely as a result of inflation due to Ohio House Bill 920 (passed in 1976). As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 43 percent of revenues for governmental activities for the Perry Local School District in fiscal year 2008.

The School District has also been affected by increased delinquency rates and changes in the personal property tax structure (utility deregulation) and commercial business/property uncertainties. Management has diligently planned expenses so that the last levy has stretched for the four years it was planned. This has been made increasingly difficult with mandates in gifted education, rising utility costs, increased special education services required for our students, and significant increases in health insurance and property/liability/fleet insurance.

From a State funding perspective, the State of Ohio was found by the Ohio Supreme Court in March, 1997 to be operating an unconstitutional education system, one that was neither "adequate" nor "equitable". Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth (which is unlike our School District). It is still undetermined whether the State has met the standards of the Ohio Supreme Court.

The Perry Local School District has not anticipated any meaningful growth in State revenue. This was confirmed by the passage of HB66 by the State Legislature. This is the funding bill for FY06 and FY07. The bill allowed for modest per pupil increases but offset the increase with the elimination of a cost of doing business factor and increases in the valuation used to calculate local effort.

In addition, HB66 eliminated tangible personal property from taxation over a short period of time with a replacement tax in place that disappears over time. For the Perry Local Schools, that would mean a loss of \$3.9 million in taxes by the year 2017. Previous legislation had already reduced these taxes \$1.3 million since 2002.

All scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In addition, the School District's systems of budgeting and internal controls are well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

**Perry Local School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**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 show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Beth Winkhart, Treasurer of Perry Local School District, 4201 13<sup>th</sup> St. S.W., Massillon, OH 44646 or [winkhart@sparcc.org](mailto:winkhart@sparcc.org).

**Perry Local School District**

*Statement of Net Assets*

*June 30, 2008*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 28,797,263
Cash and Cash Equivalents in Segregated Accounts	102,503
Receivables:	
Taxes	20,210,206
Accounts	50,741
Intergovernmental	346,489
Inventory Held for Resale	29,121
Materials and Supplies Inventory	121,612
Nondepreciable Capital Assets	1,366,878
Depreciable Capital Assets, Net	<u>20,916,042</u>
<i>Total Assets</i>	<u>71,940,855</u>
<b>Liabilities</b>	
Accounts Payable	95,385
Accrued Wages and Benefits	4,591,377
Intergovernmental Payable	1,299,952
Matured Compensated Absences Payable	170,826
Deferred Revenue	18,381,176
Long-Term Liabilities:	
Due Within One Year	256,679
Due in More Than One Year	<u>4,288,208</u>
<i>Total Liabilities</i>	<u>29,083,603</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	21,967,920
Restricted for:	
Capital Outlay	4,457,830
Debt Service	102,503
Other Purposes	270,503
Unrestricted	<u>16,058,496</u>
<i>Total Net Assets</i>	<u>\$ 42,857,252</u>

The accompanying notes are an integral part of the basic financial statements.

**Perry Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$ 18,207,339	\$ 1,385,264	\$ 200,318	\$ 0	\$ (16,621,757)
Special	4,495,003	238,502	1,871,515	7,823	(2,377,163)
Vocational	2,242,392	0	359,517	0	(1,882,875)
Adult / Continuing	20,709	19,328	0	0	(1,381)
Other	488,445	0	20,902	0	(467,543)
Support Services:					
Pupils	2,903,665	0	649,754	0	(2,253,911)
Instructional Staff	1,956,561	32,057	763,584	0	(1,160,920)
Board of Education	97,863	0	0	0	(97,863)
Administration	2,992,984	0	11,178	0	(2,981,806)
Fiscal	733,539	0	0	0	(733,539)
Business	125,828	0	0	0	(125,828)
Operation and Maintenance of Plant	4,043,578	0	27,000	166,902	(3,849,676)
Pupil Transportation	1,966,746	32,598	0	17,464	(1,916,684)
Central	398,145	0	45,787	0	(352,358)
Operation of Non-instructional Services:					
Food Service Operations	1,653,628	916,983	789,621	0	52,976
Community Services	359,615	251,228	110,781	0	2,394
Extracurricular Activities	1,153,499	315,867	17,117	0	(820,515)
Interest and Fiscal Charges	23,734	0	0	0	(23,734)
<b>Total Primary Government</b>	<b>\$ 43,863,273</b>	<b>\$ 3,191,827</b>	<b>\$ 4,867,074</b>	<b>\$ 192,189</b>	<b>(35,612,183)</b>

**General Revenues**

Property Taxes Levied for:	
General Purposes	19,953,139
Capital Outlay	898,653
Grants and Entitlements not Restricted to Specific Programs	18,052,922
Investment Earnings	1,244,826
Miscellaneous	330,923
<b>Total General Revenues</b>	<b>40,480,463</b>
<i>Change in Net Assets</i>	4,868,280
<i>Net Assets Beginning of Year</i>	37,988,972
<i>Net Assets End of Year</i>	<b>\$ 42,857,252</b>

The accompanying notes are an integral part of the basic financial statements.

**Perry Local School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2008*

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 23,468,748	\$ 4,379,340	\$ 949,175	\$ 28,797,263
Cash and Cash Equivalents in Segregated Accounts	102,503	0	0	102,503
Receivables:				
Taxes	19,322,403	887,803	0	20,210,206
Accounts	40,637	0	10,104	50,741
Intergovernmental	167,994	0	178,495	346,489
Inventory Held For Resale	0	0	29,121	29,121
Materials and Supplies Inventory	118,901	0	2,711	121,612
<i>Total Assets</i>	<u>\$ 43,221,186</u>	<u>\$ 5,267,143</u>	<u>\$ 1,169,606</u>	<u>\$ 49,657,935</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 89,041	\$ 0	\$ 6,344	\$ 95,385
Accrued Wages and Benefits	4,155,248	0	436,129	4,591,377
Intergovernmental Payable	1,066,190	0	233,762	1,299,952
Matured Compensated Absences Payable	162,829	0	7,997	170,826
Deferred Revenue	18,365,933	842,413	0	19,208,346
<i>Total Liabilities</i>	<u>23,839,241</u>	<u>842,413</u>	<u>684,232</u>	<u>25,365,886</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	55,385	0	29,609	84,994
Reserved for Property Taxes	956,470	45,390	0	1,001,860
Reserved for Debt Service Principal	102,503	0	0	102,503
Unreserved, Undesignated, Reported in:				
General Fund	18,267,587	0	0	18,267,587
Special Revenue Funds	0	0	455,765	455,765
Capital Projects Fund	0	4,379,340	0	4,379,340
<i>Total Fund Balances</i>	<u>19,381,945</u>	<u>4,424,730</u>	<u>485,374</u>	<u>24,292,049</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 43,221,186</u>	<u>\$ 5,267,143</u>	<u>\$ 1,169,606</u>	<u>\$ 49,657,935</u>

The accompanying notes are an integral part of the basic financial statements.

**Perry Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2008*

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<b>Total Governmental Fund Balances</b>	\$	24,292,049
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		22,282,920
Delinquent property taxes are not available to pay for current-period expenditures and therefore are deferred in the funds.		827,170
Long-term liabilities, including capital leases and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds:		
Compensated Absences	\$ (4,229,887)	
Capital Lease Payable	(315,000)	
Total		(4,544,887)
 <i>Net Assets of Governmental Activities</i>	 \$	 42,857,252

The accompanying notes are an integral part of the basic financial statements.

**Perry Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2008*

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property and Other Local Taxes	\$ 19,848,419	\$ 894,963	\$ 0	\$ 20,743,382
Intergovernmental	19,606,021	166,902	3,428,645	23,201,568
Investment Income	1,238,278	0	6,548	1,244,826
Tuition and Fees	1,535,517	0	89,569	1,625,086
Extracurricular Activities	30,124	0	538,003	568,127
Rentals	14,596	0	3,957	18,553
Customer Sales and Services	46,215	0	933,847	980,062
Gifts and Donations	11,500	0	72,115	83,615
Miscellaneous	276,372	0	51,523	327,895
<i>Total Revenues</i>	<u>42,607,042</u>	<u>1,061,865</u>	<u>5,124,207</u>	<u>48,793,114</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	17,427,344	0	409,788	17,837,132
Special	3,568,038	0	852,840	4,420,878
Vocational	2,172,278	5,035	13,364	2,190,677
Adult / Continuing	0	0	20,709	20,709
Other	411,988	0	73,194	485,182
Support Services:				
Pupils	2,415,641	0	441,732	2,857,373
Instructional Staff	1,038,888	0	812,549	1,851,437
Board of Education	97,863	0	0	97,863
Administration	2,829,286	0	78,863	2,908,149
Fiscal	726,782	0	0	726,782
Business	129,679	0	0	129,679
Operation and Maintenance of Plant	3,876,564	0	27,000	3,903,564
Pupil Transportation	2,222,522	0	732	2,223,254
Central	366,073	0	29,503	395,576
Operation of Non-Instructional Services:				
Food Service Operations	0	0	1,602,779	1,602,779
Community Services	23,190	0	335,589	358,779
Extracurricular Activities	767,514	0	297,438	1,064,952
Capital Outlay	128,673	707,549	0	836,222
Debt Service:				
Principal Retirement	105,000	0	0	105,000
Interest and Fiscal Charges	23,734	0	0	23,734
<i>Total Expenditures</i>	<u>38,331,057</u>	<u>712,584</u>	<u>4,996,080</u>	<u>44,039,721</u>
<i>Excess of Revenues Over Expenditures</i>	<u>4,275,985</u>	<u>349,281</u>	<u>128,127</u>	<u>4,753,393</u>
<b>Other Financing Source</b>				
Proceeds from Sale of Capital Assets	3,029	0	0	3,029
<i>Net Change in Fund Balances</i>	4,279,014	349,281	128,127	4,756,422
<i>Fund Balances Beginning of Year</i>	<u>15,102,931</u>	<u>4,075,449</u>	<u>357,247</u>	<u>19,535,627</u>
<i>Fund Balances End of Year</i>	<u>\$ 19,381,945</u>	<u>\$ 4,424,730</u>	<u>\$ 485,374</u>	<u>\$ 24,292,049</u>

The accompanying notes are an integral part of the basic financial statements.

**Perry Local School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2008*

**Net Change in Fund Balances - Total Governmental Funds** **\$ 4,756,422**

*Amounts reported for governmental activities in the  
statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital Asset Additions	\$ 1,099,473	
Current Year Depreciation	<u>(871,094)</u>	
Total		228,379

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent Property Taxes	108,410	
Charges for Services	<u>(173,000)</u>	
Total		(64,590)

Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 105,000

Compensated absence expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (156,931)

*Change in Net Assets of Governmental Activities* \$ 4,868,280

The accompanying notes are an integral part of the basic financial statements.

**Perry Local School District**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget (Non-GAAP Basis) and Actual  
 General Fund  
 For the Fiscal Year Ended June 30, 2008*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property and Other Local Taxes	\$ 19,846,500	\$ 19,792,909	\$ 19,792,909	\$ 0
Intergovernmental	18,868,986	19,387,750	19,387,750	0
Investment Income	1,114,000	1,222,381	1,222,381	0
Tuition and Fees	1,342,925	1,558,886	1,558,886	0
Extracurricular Activities	25,000	30,124	30,124	0
Rentals	7,500	14,596	14,596	0
Customer Sales and Services	0	24,177	24,177	0
Contributions and Donations	10,500	11,500	11,500	0
Miscellaneous	318,800	575,305	575,305	0
<i>Total Revenues</i>	<u>41,534,211</u>	<u>42,617,628</u>	<u>42,617,628</u>	<u>0</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	18,182,683	17,689,220	17,689,220	0
Special	3,571,917	3,474,978	3,474,978	0
Vocational	2,195,393	2,135,812	2,135,812	0
Other	421,530	410,090	410,090	0
Support Services:				
Pupils	2,439,722	2,373,510	2,373,510	0
Instructional Staff	1,057,632	1,028,929	1,028,929	0
Board of Education	103,655	100,842	100,842	0
Administration	2,883,113	2,804,868	2,804,868	0
Fiscal	753,665	733,211	733,211	0
Business	129,672	126,153	126,153	0
Operation and Maintenance of Plant	3,952,876	3,845,598	3,845,598	0
Pupil Transportation	2,254,961	2,193,763	2,193,763	0
Central	377,363	367,122	367,122	0
Operation of Non-instructional Services:				
Community Services	25,698	25,001	25,001	0
Extracurricular Activities	786,348	765,007	765,007	0
Capital Outlay	302,290	294,086	294,086	0
<i>Total Expenditures</i>	<u>39,438,518</u>	<u>38,368,190</u>	<u>38,368,190</u>	<u>0</u>
<i>Excess of Revenues Over Expenditures</i>	<u>2,095,693</u>	<u>4,249,438</u>	<u>4,249,438</u>	<u>0</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	0	3,029	3,029	0
Advances In	125,000	133,100	133,100	0
Advances Out	(125,000)	(133,100)	(133,100)	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>3,029</u>	<u>3,029</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	2,095,693	4,252,467	4,252,467	0
<i>Fund Balance Beginning of Year</i>	19,095,229	19,095,229	19,095,229	0
Prior Year Encumbrances Appropriated	68,734	68,734	68,734	0
<i>Fund Balance End of Year</i>	<u>\$ 21,259,656</u>	<u>\$ 23,416,430</u>	<u>\$ 23,416,430</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the basic financial statements.

**Perry Local School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Fund*  
*June 30, 2008*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ <u>62,800</u>
<b>Liabilities</b>	
Due to Students	\$ <u>62,800</u>

The accompanying notes are an integral part of the basic financial statements.

**Perry Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 1 – Description of School District and Reporting Entity**

The Perry Local School District (the “School District”) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a school district as defined by Section 3311.02 of the Ohio Revised Code. The School District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the School District. Average daily membership on, or as of October 1, 2007, was 4,750. The School District employs 346 certificated and 253 non-certificated employees.

***Reporting Entity***

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, agencies and offices that are not legally separate from the School District. For the Perry Local School District, this includes general operations, food service and student related activities of the School District.

Components 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 provides 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.

Included with the reporting entity, within the School District’s boundaries, St. Joan of Arc Elementary and Central Catholic High School are operated as non-public schools. Current legislation provides funding to these non-public schools. These monies are received and disbursed on behalf of the schools by the Treasurer of the School District, as directed by the non-public schools. These transactions are reported as a governmental activity of the School District.

The School District participates in one jointly governed organization and two public entity risk pools. These organizations are the Stark Portage Area Computer Consortium (SPARCC), Stark County Schools Council of Governments Health Benefits Program, and CompManagement Workers’ Compensation Group Rating Program. They are presented in Notes 15 and 16.

**Note 2 - Summary of Significant Accounting Policies**

The School District’s financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities unless those pronouncements conflict with or contradict GASB pronouncements. Following are the more significant of the School District’s accounting policies.

**Perry Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide 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.

**Government-wide Financial Statements** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

**Fund Financial Statements** During the 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. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental and fiduciary.

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

**General Fund** The general fund accounts 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.

**Perry Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***Permanent Improvement Fund*** The permanent improvement capital projects fund accounts for financial resources to be used for the acquisition, construction, or improvement of major capital facilities.

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

***Fiduciary Funds*** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. 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 therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary fund is an agency fund that accounts for student activities.

***C. Measurement Focus***

***Government-wide Financial Statements*** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenditures) in total net assets.

***Fund Financial Statements*** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

***D. Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and statements for the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

***Revenues - Exchange and Non-Exchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of the fiscal year end.

**Perry Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, grants, interest, tuition, student fees, and rentals.

***Deferred Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

***Expenditures/Expenses*** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

***E. Budgetary Process***

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, 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 amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Budgetary modifications at this level require a resolution of the Board of Education. The treasurer has been given the authority to allocate Board appropriations to the function and object levels within each fund.

**Perry Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original and final appropriations were adopted.

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

***F. Cash and Cash Equivalents***

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2008, investments were limited to STAROhio, repurchase agreements, Federal National Mortgage Association notes, Federal Home Loan Mortgage Corporation notes and a money market fund.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit and repurchase agreements are reported at cost.

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, 2008.

The School District has a segregated bank account for monies held separate from the School District's central bank account. This interest bearing depository account is presented as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the School District's treasury.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$1,238,278, which includes \$242,939 assigned from other School District funds.

Investments of the 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 original maturity of more than three months that are not purchased from the pool are presented on the basic financial statements as investments.

**Perry Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***G. Inventory***

Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expended/expensed when used. Inventories consist of materials and supplies held for consumption and donated and purchased food.

***H. Capital Assets***

All capital assets of the School District are classified as general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20-75 Years
Buildings and Improvements	20-75 Years
Furniture and Equipment	5-30 Years
Vehicles	12-15 Years

***I. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

On the governmental fund statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the funds from which the employee will be paid.

**Perry Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***J. Accrued Liabilities and Long-term Obligations***

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Capital leases are recognized as a liability on the fund financial statements when due.

***K. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At June 30, 2008, none of the School District's net assets were restricted by enabling legislation. Net assets restricted for other purposes include instructional activities and grants.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

***L. Fund Balance Reserves***

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund balance reserves are established for encumbrances, property taxes, and debt.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

***M. Interfund Activity***

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods 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 expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**Perry Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***N. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2008.

***O. Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

***P. Changes in Accounting Principles***

For the year ended 2008, the School District has implemented GASB Statement No. 45, “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*”, GASB Statement No. 48, “*Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*”, GASB Statement No. 49, “*Accounting and Financial Reporting for Pollution Remediation Obligations*”, and GASB Statement No. 50, “*Pension Disclosures – An Amendment of GASB Statements No. 25 and No. 27.*”

GASB Statement No. 45 provides guidance on all aspects of OPEB reporting by employers. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

GASB Statement No. 48 provides guidance on accounting for sales and pledges of receivables and future revenues. The Statement also requires governments to disclose in the notes to the financial statements the amount of future revenues that have been pledged or sold.

GASB Statement No. 49 provides guidance on how to calculate and report the costs and obligations associated with pollution cleanup efforts.

GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of GASB Statement No. 25, “*Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*”, and GASB Statement No. 27, “*Accounting for Pensions by State and Local Governmental Employers*”, to conform with requirements of GASB Statement No. 43, “*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*”, and GASB Statement No. 45, “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*”.

Implementation of these GASB Statements did not affect the presentation of the financial statements of the School District.

**Perry Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 3 – Accountability**

Fund balances at June 30, 2008 included the following individual fund deficits:

*Non-Major Funds:*

Food Service	\$ 68,278
Poverty Based Assistance	260
Title VI-B	68,436
Drug Free Schools Grant	102
Title VI-R	516
Preschool	13,237

The special revenue deficit balances resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide transfers when cash is required, not when accruals occur.

**Note 4 - Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual, is presented on the budgetary basis for the general fund. The major differences between the budget basis and GAAP basis are:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances in and advances out are non-operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

**Perry Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 4 - Budgetary Basis of Accounting (Continued)**

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the general fund.

	<u>General</u>
GAAP Basis	\$ 4,279,014
Net Adjustment for Revenue Accruals	10,586
Advances In	133,100
Advances Out	(133,100)
Net Adjustment for Expenditure Accruals	65,421
Adjustment for Encumbrances	<u>(102,554)</u>
Budget Basis	<u>\$ 4,252,467</u>

**Note 5 - Deposits and Investments**

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such 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 of Education has identified as not required for use within the current two 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 to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, 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 obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**Perry Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 5 - Deposits and Investments (Continued)**

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During 2008, the School District and public depositories complied with the provisions of these statutes.

**Perry Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2008

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**Note 5 - Deposits and Investments (Continued)**

***Deposits with Financial Institutions***

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as collateral against all of the uninsured public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School District.

At fiscal year-end, the carrying amount of the School District's deposits was \$(374,319), which includes \$500 cash on hand. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2008, the School District's entire bank balance of \$1,236 was covered by Federal Deposit Insurance Corporation.

***Investments***

As of June 30, 2008, the School District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>6 Months or Less</u>	<u>More Than 24 Months</u>
FHLMC	\$ 2,968,830	\$ 0	\$ 2,968,830
FNMA	3,131,289	0	3,131,289
Money Market	102,717	102,717	0
STAROhio	22,604,049	22,604,049	0
Repurchase Agreement	530,000	530,000	0
Total	<u>\$ 29,336,885</u>	<u>\$ 23,236,766</u>	<u>\$ 6,100,119</u>

***Interest Rate Risk.*** As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the School District's investment policy limits investment portfolio maturities to five years or less.

***Credit Risk.*** The School District's investments in FHLMC and FNMA were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. STAROhio has been given an AAA rating by Standard & Poor's. The School District's investments in the money market account and repurchase agreement are unrated.

**Perry Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2008

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**Note 5 - Deposits and Investments (Continued)**

**Concentration of Credit Risk.** The School District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the School District at June 30, 2008:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
FHLMC	\$ 2,968,830	10.12%
FNMA	3,131,289	10.67%
Money Market	102,717	0.35%
STAROhio	22,604,049	77.05%
Repurchase Agreement	530,000	1.81%
 Total	 <u>\$ 29,336,885</u>	 <u>100.00%</u>

**Note 6 - Property Taxes**

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2008 represents collections of calendar 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State Law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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 revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments 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 semi-annually, 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.

**Perry Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2008

**Note 6 - Property Taxes (Continued)**

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed personal property tax and the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2008 was \$956,470 in the general fund and \$45,390 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2008 was \$900,960 in the general fund and \$44,020 in the permanent improvement capital projects fund.

On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

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

	2007 Second Half Collections		2008 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 462,603,850	68.06%	\$ 466,760,560	72.65%
Commercial Industrial	141,492,460	20.81%	129,798,350	20.20%
Tangible Personal Property	53,562,079	7.88%	26,524,230	4.13%
Personal Public Utility	22,076,260	3.25%	19,391,410	3.02%
	<u>\$ 679,734,649</u>	<u>100.00%</u>	<u>\$ 642,474,550</u>	<u>100.00%</u>
Tax rate per \$1,000 assessed valuation	<u>\$ 48.00</u>		<u>\$ 46.50</u>	

**Perry Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2008

**Note 7 - Receivables**

Receivables at June 30, 2008, consisted of taxes, accounts (rent, student fees and tuition), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of the State programs, and the current fiscal year guarantee of Federal funds.

**Note 8 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance 6/30/2007	Additions	Deletions	Balance 6/30/2008
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated</i>				
Land	\$ 1,366,878	\$ 0	\$ 0	\$ 1,366,878
Construction in Progress	566,939	420,042	(986,981)	0
<i>Total Capital Assets, not being depreciated</i>	<u>1,933,817</u>	<u>420,042</u>	<u>(986,981)</u>	<u>1,366,878</u>
<i>Capital Assets being depreciated</i>				
Land Improvements	1,458,447	8,500	0	1,466,947
Buildings and Improvements	27,588,943	1,107,113	0	28,696,056
Furniture and Equipment	1,249,809	278,159	(43,703)	1,484,265
Vehicles	2,856,113	272,640	0	3,128,753
<i>Total Capital Assets being depreciated</i>	<u>33,153,312</u>	<u>1,666,412</u>	<u>(43,703)</u>	<u>34,776,021</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(254,370)	(58,890)	0	(313,260)
Buildings and Improvements	(11,067,792)	(501,828)	0	(11,569,620)
Furniture and Equipment	(457,037)	(74,218)	43,703	(487,552)
Vehicles	(1,253,389)	(236,158)	0	(1,489,547)
<i>Total Accumulated Depreciation</i>	<u>(13,032,588)</u>	<u>(871,094) *</u>	<u>43,703</u>	<u>(13,859,979)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>20,120,724</u>	<u>795,318</u>	<u>0</u>	<u>20,916,042</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 22,054,541</u>	<u>\$ 1,215,360</u>	<u>\$ (986,981)</u>	<u>\$ 22,282,920</u>

**Perry Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2008

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**Note 8 - Capital Assets (Continued)**

\*Depreciation expense was charged to governmental functions as follows:

Instruction :	
Regular	\$ 322,900
Special	64,226
Vocational	50,124
Support Services:	
Pupil	58,220
Instructional Staff	78,125
Board of Education	
Administration	61,474
Fiscal	2,570
Operation and Maintenance of Plant	59,442
Pupil Transportaion	12,620
Operation of Non-Instructional Services:	
Food Service Operations	70,661
Extracurricular Activities	90,732
Total Depreciation	\$ 871,094

**Note 9 - Risk Management**

**A. General Insurance**

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. The School District has a comprehensive property and casualty policy with a deductible of \$5,000 and \$1,000 per incident on property and equipment, respectfully, with a 100 percent blanket, all risk policy for property coverage. The School District's vehicle insurance policy limit is \$3,000,000 single occurrence limited liability. All board members, administrators, and employees are covered under a school district liability policy. Additionally, the School District carries a \$5,000,000 blanket umbrella policy. The limits of this coverage are \$2,000,000 per occurrence and \$5,000,000 in aggregate, with no deductible. Settlements have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior year.

**B. Fidelity Bond**

The treasurer is covered under a surety bond in the amount of \$50,000.

**Perry Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 9 - Risk Management (Continued)**

***C. Workers' Compensation***

The School District participates in the CompManagement Workers Compensation Group Rating Plan ("the Plan"), an insurance purchasing pool (Note 16). The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the group. The worker's compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the group. Each participant pays its worker's compensation premium to the State Bureau of Workers' Compensation based on the rate for the group rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the group. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the group. Participation in the Plan is limited to school districts that can meet the Plan selection criteria. The firm of CompManagement provides administrative, cost control and actuarial services to the group.

***D. Employee Health Benefits***

The School District participates in the Stark County Schools Council of Governments Health Benefits Program ("the Council"), a shared risk pool (Note 16) to provide employee medical/surgical benefits. The Council is a risk sharing pool created pursuant to State statute for the purpose of carrying out a cooperative program for the provision and administration of health care benefits. The Assembly is the legislative decision-making body of the Council. The Assembly is comprised of the superintendents or executive officers of the members, who have been appointed by the respective governing body of each member.

The intent of the insurance pool is to achieve a reduced, stable and competitive rate for the School District by grouping with other members of the Health Benefits Program. The experience of all participating districts is calculated as one and a common premium rate is applied to all member districts.

Rates are set through an annual calculation process. The School District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating districts. The employees share the cost of the monthly premium with the Board. For fiscal year 2008 the School District's and the employee's premiums were \$862.97 and \$106.66 for family coverage and \$355.23 and \$43.92 for single coverage per employee per month, respectively. Dental insurance is also provided by the School District to qualified employees through the Stark County Schools Council of Governments. For fiscal year 2008, the School District's cost was \$125.03 for family coverage and \$50.68 for single coverage per employee per month.

Claims are paid for all participants regardless of claims flow. Upon termination, all School District claims would be paid without regard to the School District's account balance. The Stark County Schools Council of Government Board of Directors has the right to return monies to an existing school district subsequent to the settlement of all expenses and claims.

**Perry Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 10 - Other Employee Benefits**

**A. *Compensated Absences***

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn 5 - 25 days of vacation per year, depending upon length of service and hours worked. Teachers do not earn vacation time. Administrators employed to work 260 days per year can earn 15 - 25 days of vacation annually. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment.

Teachers, administrators, and classified employees earn sick leave at the rate of 1-1/4 days per month. Sick leave may be accumulated to a maximum of 310 days. Upon retirement, employees receive payment for 30 percent of the total sick leave accumulation, not to exceed 75 days in FY2008.

**B. *Life Insurance***

The School District provided life insurance and accidental death and dismemberment insurance to all employees through the Stark County Schools Council of Governments Health Benefits Program. Coverage ranges from \$10,000 to \$65,000 depending on the daily hours worked by the employee.

**Note 11- Defined Benefit Pension Plans**

**A. *School Employees Retirement System***

The School District contributes to the School Employees Retirement System of Ohio (“SERS”), a cost-sharing multiple-employer defined benefit pension plan. 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 by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS’ website at [www.ohsers.org](http://www.ohsers.org) under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 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 School District’s contributions to SERS for the years ended June 30, 2008, 2007 and 2006 were \$780,444, \$721,374 and \$701,988, respectively; 50 percent has been contributed for fiscal year 2008 and 100 percent for the fiscal years 2007 and 2006.

**B. *State Teachers Retirement System***

The School District participates in the State Teachers Retirement System of Ohio (“STRS Ohio”), a cost-sharing, multiple-employer defined benefit pension plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

**Perry Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 11 - 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 times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to allocate their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment accounts. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001 were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007 (the latest information available), the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007 and 2006 were \$2,951,496, \$2,772,977 and \$2,682,890, respectively; 83 percent has been contributed for fiscal year 2008 and 100 percent for the fiscal years 2007 and 2006.

***C. Social Security System***

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

**Note 12 - Postemployment Benefits**

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

**Perry Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 12 - Postemployment Benefits (Continued)**

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2008, 2007 and 2006. The School District's contributions for fiscal years ended June 30, 2008, 2007 and 2006 were \$210,821, \$198,070 and \$191,635, respectively.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007 (the latest information available), the balance in the Fund was \$4.1 billion. For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were \$265,558,000 and STRS Ohio had 122,934 eligible benefit recipients.

In addition to a cost-sharing multiple-employer defined benefit pension plan, SERS administers two postemployment benefit plans, the Medicare Part B Plan and the Health Care Plan. The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2007 was \$93.50; SERS' reimbursement to retirees was \$45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2007 (the latest information available), the actuarially required allocation was .68 percent. The School District's contributions for the year ended June 30, 2008 were \$37,907, which equaled the required contributions for the year.

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2008, the health care allocation was 3.32 percent. The actuarially required contribution (ARC), as of the December 31, 2006 annual valuation (the latest information available), was 11.50 percent of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The School District's contributions for the years ended June 30, 2008, 2007 and 2006 were \$267,244, \$314,649 and \$278,076, respectively.

**Perry Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2008

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**Note 12 - Postemployment Benefits (Continued)**

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2008, the minimum compensation level was established at \$35,800.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Forms and Publications.

**Note 13 - Long - Term Obligations**

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

	Outstanding 6/30/2007	Additions	Reductions	Outstanding 6/30/2008	Due in One Year
Capital Lease	\$ 420,000	\$ 0	\$ (105,000)	\$ 315,000	\$ 115,000
Compensated Absences	4,072,956	634,684	(477,753)	4,229,887	141,679
<i>Total Long-Term Obligations</i>	<u>\$ 4,492,956</u>	<u>\$ 634,684</u>	<u>\$ (582,753)</u>	<u>\$ 4,544,887</u>	<u>\$ 256,679</u>

Capital lease payments will be paid from the general fund. Compensated absences will be paid from the general, food service, auxiliary and Title I funds. This has been the policy in prior years also.

**Note 14 - Capitalized Leases**

In prior years the School District entered into a lease purchase agreement for a new science wing. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The science wing construction costs were financed by the issuance of \$1,025,000 Certificates of Participation, Series 2000 by McDonald Investments Inc. (lessor), Key Bank National Association (original purchaser), Huntington National Bank (trustee) and the Board of Education (lessee). Ownership of the new building transfers to the Board of Education at the end of the lease. Capital lease payments are reflected as debt service expenditures in the combined financial statements for the governmental funds.

**Perry Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 14 - Capitalized Leases (Continued)**

The general capital assets acquired by the leases have been capitalized in governmental capital assets in the amount of \$1,025,000. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the statement of net assets and is reduced for each required principal payment.

The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2008:

			<u>Science Wing</u>
Year Ending June 30,	2009	\$	129,806
	2010		205,750
			<u>335,556</u>
Less: Amount representing interest			<u>(20,556)</u>
Present value of minimum lease payments		\$	<u><u>315,000</u></u>

**Note 15 - Jointly Governed Organization**

The Stark Portage Area Computer Consortium (SPARCC) is a jointly governed organization among 31 school districts, the Stark County Educational Service Center and the Portage County Educational Service Center and the Portage County Education Service Center. The purpose of the organization is to apply modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The legislative and advisory body is the assembly which is comprised of the superintendents of the participating schools. The degree of control exercised by any participating district is limited to its representation on the assembly, which appoints the five-member executive board. The executive board exercises total control over the operation of SPARCC including budgeting, appropriating, contracting and designating management. The executive board consists of five superintendents. All revenues are generated from State funding and an annual fee charged to participating districts. The School District paid \$160,821 to SPARCC during the fiscal year 2008. The Stark County Educational Service Center is the fiscal agent of SPARCC. Financial information can be obtained by writing to the Stark County Educational Service Center, 2100 38<sup>th</sup> Street NW, Canton, OH 44709-2300.

**Perry Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**Note 16 - Public Entity Risk Pools**

***A. Risk Sharing Pool***

The Stark County Schools Council of Governments Health Benefits Program is a shared risk pool. The Council is governed by an assembly which consists of one representative from each participant (usually the superintendent or designee). The assembly elects officers for two-year terms to serve as the Board of Directors. The assembly exercises control over the operation of the consortium. All consortium revenues are generated from charges for services received from the participating school districts, based on the established premiums for the insurance plans. Financial information can be obtained by writing to the Stark County Educational Service Center, 2100 38<sup>th</sup> Street NW, Canton, OH 44709.

***B. Insurance Purchasing Pool***

The School District participates in the CompManagement Workers' Compensation Group Rating Program, an insurance purchasing pool. The Group's business and affairs are conducted by the CompManagement Corporation. Each year the participating districts pay an enrollment fee to the Group to cover the costs of administering the program.

**Note 17 – Contingencies**

***A. Grants***

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement 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 claims 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 effect on the overall financial position of the School District at June 30, 2008.

***B. Litigation***

The School District is party to various legal proceedings. The School District is of the opinion that the ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

**Note 18 - Set-Asides**

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

**Perry Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2008

**Note 18 - Set-Asides (Continued)**

The following cash basis information describes the change in the year end set-aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute.

	Textbooks	Capital Improvements
Set-Aside Reserve Balance as of June 30, 2007	\$ (2,805,540)	\$ 0
Current Year Set-Aside Requirement	741,351	741,351
Qualifying Disbursements	(853,917)	(619,391)
Current Year Offsets	0	(893,593)
 Total	 \$ (2,918,106)	 \$ (771,633)
 Set-Aside Balance, Carried Forward to Fiscal Years	 \$ (2,918,106)	 \$ 0
 Set-Aside Reserve Balance as of June 30, 2008	 \$ 0	 \$ 0

The School District had qualifying disbursements during the year that reduced the textbooks and the capital improvements set-aside amount below zero. The negative set-aside balance for the textbooks may be used to reduce the set-aside requirement of future years. The negative set-aside balance for the capital improvements may not be used to reduce the set-aside requirements of future years.



## Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

122 4th St. NW | PO Box 1020  
New Philadelphia, OH 44663-5120

November 26, 2008

To the Board of Education  
Perry Local School District  
Massillon, OH 44646

### **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of Perry Local School District (the "School District") as of and for the year ended June 30, 2008, and have issued our report thereon dated November 26, 2008. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### 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 auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Perry Local School District  
Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other  
Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards  
November 26, 2008  
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*Hea & Associates, Inc.*



**Rea & Associates, Inc.**  
ACCOUNTANTS AND BUSINESS CONSULTANTS

122 4th St. NW | PO Box 1020  
New Philadelphia, OH 44663-5120

November 26, 2008

To the Board of Education  
Perry Local Schools  
Massillon, OH 44646

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the compliance of the 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 are applicable to each of its major federal programs for the year ended June 30, 2008. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to each major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

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

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control.

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

This report is intended solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*Rea & Associates, Inc.*

**PERRY LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Year	Federal Receipts	Non-Cash Receipts	Federal Disbursements	Non-Cash Disbursements
<b>U. S. Department of Education (Passed through the Ohio Department of Education):</b>						
Title I - FY08	84.010	2008	\$ 477,146		\$ 442,726	
Title I - FY07	84.010	2007	58,315		69,010	
Total Title I			<u>535,461</u>	-	<u>511,736</u>	-
<i>Special Education Cluster</i>						
IDEA-B - FY08	84.027	2008	1,087,708		998,456	
IDEA-B - FY07	84.027	2007	78,150		156,141	
Total IDEA-B			<u>1,165,858</u>	-	<u>1,154,597</u>	-
Early Childhood Special Education - FY08	84.173	2008	31,036		31,036	
Total Special Education Cluster			<u>1,196,894</u>	-	<u>1,185,633</u>	-
Title IV-A Safe and Drug-Free Schools - FY08	84.186	2008	15,116		14,076	
Title IV-A Safe and Drug-Free Schools - FY07	84.186	2007	1,796		1,914	
Total Title IV-A			<u>16,912</u>	-	<u>15,990</u>	-
Title V Innovative Grants - FY08	84.298	2008	8,644		7,780	
Title V Innovative Grants - FY07	84.298	2007	1,256		1,893	
Total Title V			<u>9,900</u>	-	<u>9,673</u>	-
Title II-D Technology - FY08	84.318	2008	5,386		2,937	
Title II-D Technology - FY07	84.318	2007	0		265	
Total Title II-D			<u>5,386</u>	-	<u>3,202</u>	-
Title II-A - FY08	84.367	2008	153,176		139,812	
Title II-A - FY07	84.367	2007	10,039		23,506	
Total Title II-A			<u>163,215</u>	-	<u>163,318</u>	-
Total U. S. Department of Education			<u>1,927,768</u>	-	<u>1,889,552</u>	-
<b>U. S. Department of Health and Human Services (Passed through the Ohio Department of Mental Retardation and Developmental Disabilities):</b>						
Medical Assistance Program (CAFS)	93.778	N/A	4,844		-	
Total U.S. Department of Health and Human Services			<u>4,844</u>	-	-	-
<b>U. S. Department of Agriculture (Passed through the Ohio Department of Education):</b>						
<i>Child Nutrition Cluster</i>						
Non-Cash Assistance (Food Distribution):						
National School Lunch Program	10.555	2008		\$ 209,088		\$ 209,088
Cash Assistance:						
School Breakfast Program - FY08	10.553	2008	70,843		70,843	
School Breakfast Program - FY07	10.553	2007	7,590		7,590	
Total School Breakfast Program			<u>78,433</u>		<u>78,433</u>	
National School Lunch Program - FY08	10.555	2008	512,763		512,763	
National School Lunch Program - FY07	10.555	2007	55,018		55,018	
Total National School Lunch Program			<u>567,781</u>		<u>567,781</u>	
Total Child Nutrition Cluster			<u>646,214</u>	<u>209,088</u>	<u>646,214</u>	<u>209,088</u>
Total U.S. Department of Agriculture			<u>646,214</u>	<u>209,088</u>	<u>646,214</u>	<u>209,088</u>
Total Federal Assistance			<u>\$ 2,578,826</u>	<u>\$ 209,088</u>	<u>\$ 2,535,766</u>	<u>\$ 209,088</u>

See notes to the schedule of expenditures of federal awards.

PERRY LOCAL SCHOOL DISTRICT  
STARK COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2008

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary of the activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B: NUTRITION CLUSTER

Reimbursement monies are commingled with local receipts and state grants. It is assumed federal moneys are expended first.

Food Distribution Program nonmonetary assistance is reported in the schedule of expenditures of federal awards at the entitlement value of the commodities received and disbursed. At June 30, 2008, the School District had no significant food commodities inventory.

PERRY LOCAL SCHOOL DISTRICT  
STARK COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2008

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

A-133 Ref.  
.505(d)

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other internal control deficiencies reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any internal control deficiencies reported for major programs which were not considered to be material	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section 510(a) of Circular A-133?	No
(d) (1) (vii)	Major Programs (list): Special Education Cluster	CFDA # 84.027 & 84.173
(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**

**NONE**

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

**NONE**



**Mary Taylor, CPA**  
Auditor of State

**PERRY LOCAL SCHOOL DISTRICT**

**STARK COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 27, 2009**