

**PERRY LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
(AUDITED)**

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2010***

SHERYL STEWART, TREASURER



Dave Yost • Auditor of State

Board of Education
Perry Local School District
4201 13th Street SW
Massillon, Ohio 44646

We have reviewed the *Independent Auditor's Report* of the Perry Local School District, Stark County, prepared by Julian & Grube, Inc., for the audit period July 1, 2009 through June 30, 2010. 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.

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

Dave Yost
Auditor of State

February 1, 2011

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**PERRY LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

Perry Local School District
4201 13th Street S. W.
Massillon, OH 44646

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Perry Local School District, Stark County, Ohio, as of and for the fiscal year ended June 30, 2010, which collectively comprise Perry Local School District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Perry Local School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 Perry Local School District, Stark County, Ohio, as of June 30, 2010, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the fiscal 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 December 22, 2010, on our consideration of Perry Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Independent Auditor's Report
Perry Local School District
Page Two

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
December 22, 2010

Perry Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010

The management's 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, 2010. 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 2010 are as follows:

- ◆ In total, net assets of governmental activities decreased \$4,905,792.
- ◆ Revenues for governmental activities totaled \$46,862,103 in 2010. Of this total, \$38,918,770, or approximately 83 percent consisted of general revenues while program revenues accounted for the balance of \$7,943,333, or approximately 17 percent.
- ◆ The School District had \$51,767,895 in expenses related to governmental activities; only \$7,943,333 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and school foundation) of \$38,918,770 were not adequate to provide for these programs.
- ◆ Program expenses totaled \$51,767,895. Instructional expenses made up \$30,131,205 or 58 percent of this total while support services accounted for \$18,388,293 or 36 percent. Other expenses, \$3,248,397 rounded out the remaining 6 percent.
- ◆ Capital assets increased \$15,723 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, 2010

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 2010?" 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 14. 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, 2010

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 2010 compared to 2009:

Table 1
Net Assets
Governmental Activities

	2010	2009
Assets		
Current and Other Assets	\$ 52,094,624	\$ 51,854,278
Capital Assets, Net	22,535,667	22,519,944
<i>Total Assets</i>	74,630,291	74,374,222
Liabilities		
Other Liabilities	25,025,872	23,803,224
Long-Term Liabilities	8,492,770	4,553,557
<i>Total Liabilities</i>	33,518,642	28,356,781
Net Assets		
Invested in Capital Assets, Net of Related Debt	22,535,667	22,319,944
Restricted	4,830,002	5,029,719
Unrestricted	13,745,980	18,667,778
<i>Total Net Assets</i>	\$ 41,111,649	\$ 46,017,441

Total assets increased by \$256,069. An increase of \$15,723 in total capital assets reflects additional purchases exceeding depreciation. The majority of the increase in governmental assets can be attributed to an increase taxes receivable. Total liabilities increased by \$5,161,861. This increase was primarily the result of increased deferred revenue due to an increase in taxes receivable.

Perry Local School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2010

Table 2 shows the changes in net assets for fiscal year 2010 and 2009. 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

	2010	2009
Revenues		
Program Revenues		
Charges for Services	\$ 3,256,614	\$ 3,434,599
Operating Grants	4,472,726	4,880,992
Capital Grants	213,993	254,982
Total Program Revenues	7,943,333	8,570,573
General Revenues		
Property Taxes	18,494,980	19,775,017
Grants and Entitlements	20,091,789	18,586,656
Other	332,001	984,173
Total General Revenues	38,918,770	39,345,846
Total Revenues	46,862,103	47,916,419
Program Expenses		
Instruction:		
Regular	21,667,245	18,955,120
Special	5,074,754	4,306,702
Vocational	3,121,771	2,277,302
Adult/Continuing	11,746	23,080
Student Intervention Services	200,811	312,779
Other	54,878	4,746
Support Services:		
Pupils	3,810,383	3,050,957
Instructional Staff	2,006,057	1,675,466
Board of Education	126,917	138,644
Administration	3,699,724	3,094,305
Fiscal	993,616	743,797
Business	228,242	197,222
Operation and Maintenance of Plant	4,437,961	4,103,671
Pupil Transportation	2,519,904	2,021,390
Central	565,489	508,852
Operation of Non-Instructional	2,061,929	2,152,677
Extracurricular Activities	1,180,722	1,174,069
Interest and Fiscal Charges	5,746	15,451
Total Program Expenses	51,767,895	44,756,230
Change in Net Assets	(4,905,792)	3,160,189
Net Assets Beginning of Year	46,017,441	42,857,252
Net Assets End of Year	\$ 41,111,649	\$ 46,017,441

Perry Local School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2010

The vast majority of revenues supporting governmental activities are the general revenues. General revenues totaled \$38,918,770 which is approximately 83 percent of total revenue. The most significant portions of the general revenue are the property taxes which is approximately 39 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 43 percent of total revenue. Other general revenue, accounts for approximately 1 percent of total revenue. The remaining amount of revenue received was in the form of program revenues, which equaled \$7,943,333 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 36 percent. The remaining 6 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 School District instituted an early retirement incentive program (ERI) which accounts for the majority of the increase in program expenses. More detailed information is presented in Note 10 of the notes to the basic financial statements.

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 2010 to 2009 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, 2010

Table 3
Total and Net Cost of Program Services
Governmental Activities

	Total Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2010	Net Cost of Services 2009
Program Expenses				
Instruction:				
Regular	\$ 21,667,245	\$ 18,955,120	\$ (19,655,597)	\$ (16,809,423)
Special	5,074,754	4,306,702	(3,420,242)	(2,099,625)
Vocational	3,121,771	2,277,302	(2,756,229)	(1,912,935)
Adult/Continuing	11,746	23,080	2,020	(3,406)
Student Intervention Services	200,811	312,779	(200,811)	(312,779)
Other	54,878	4,746	(54,878)	(4,746)
Support Services:				
Pupils	3,810,383	3,050,957	(3,266,500)	(2,704,696)
Instructional Staff	2,006,057	1,675,466	(1,317,198)	(898,195)
Board of Education	126,917	138,644	(126,917)	(138,644)
Administration	3,699,724	3,094,305	(3,699,724)	(3,086,308)
Fiscal	993,616	743,797	(993,616)	(743,797)
Business	228,242	197,222	(228,242)	(197,222)
Operation and Maintenance of Plant	4,437,961	4,103,671	(4,203,391)	(3,871,635)
Pupil Transportation	2,519,904	2,021,390	(2,477,937)	(1,927,055)
Central	565,489	508,852	(499,909)	(483,056)
Operation of Non-Instructional Services	2,061,929	2,152,677	(193,743)	(89,726)
Extracurricular Activities	1,180,722	1,174,069	(725,902)	(886,958)
Interest and Fiscal Charges	5,746	15,451	(5,746)	(15,451)
Total	\$ 51,767,895	\$ 44,756,230	\$ (43,824,562)	\$ (36,185,657)

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 15 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 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues, including other financing sources of \$46,846,089 and expenditures of \$47,844,405. The net change in fund balance for the year was most significant in the general fund with a decrease of \$598,588. While there were no significant fluctuations in revenues or expenditures in the last few years, revenues decreased by \$771,436 and expenditures increased by \$2,859,821. The fund balance of the permanent improvement fund decreased \$262,578 due to a decrease in taxes receivable and an increase in expenditures.

Perry Local School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2010

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.

During the course of fiscal year 2010, the School District amended its general fund budget several times. For the general fund, the final budget basis revenue including other financing sources was \$39,498,809 representing a \$195,197 decrease from the original budget estimate of \$39,694,006. Most of this difference is due to an underestimation of intergovernmental revenue. The actual budget basis revenue including other financing sources was \$39,480,384 representing an \$18,425 decrease from the final budget estimate of \$39,498,809. Most of this difference is due to an underestimation of intergovernmental revenue and investment income. The School District's general fund unencumbered cash balance at the end of the fiscal year was \$23,896,440. The final budget expenditures of \$43,225,571 were \$1,575,580 less than the actual expenditures of \$41,649,991. The regular instruction and support service expenditures were less than anticipated. Final budget expenditures were \$2,587,127 more than the original budget of \$40,638,444. Nearly every expenditure function was increased, with regular instruction, special instruction, administration and operation and maintenance of plant being the most significant.

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. 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.

Capital Assets

At the end of fiscal year 2010, the School District had \$22,535,667 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. Table 4 shows fiscal year 2010 balances compared with 2009.

Table 4
Capital Assets at June 30
Governmental Activities

	2010	2009
Land	\$ 1,366,878	\$ 1,366,878
Land Improvements	1,036,951	1,111,067
Buildings and Improvements	17,506,528	17,345,736
Furniture and Equipment	990,356	982,739
Vehicles	1,634,954	1,713,524
<i>Total</i>	\$ 22,535,667	\$ 22,519,944

Perry Local School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2010

All capital assets are reported net of depreciation. The \$15,723 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 \$171.96 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 2010, this amounted to \$791,609 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.

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, 2008. 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 2009.

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.

Perry Local School District anticipates State revenue reductions in the upcoming fiscal years. Due to the State's current economic environment; an anticipated \$8 billion dollar deficit by June 30, 2010, relying on the State to fund the District at current levels is not anticipated. The State also faces a Gubernatorial election November 2010; the results will have a dramatic effect on how schools are going to be funded. The financial future of the District is not positive, overall revenue collections from the State are projected to decrease dramatically. During fiscal year 2010, the District collected \$922,450 in stimulus funds and will collect an anticipated \$1,014,797 during fiscal year 2011. These federal funds were used to subsidize State funding so state revenue collections for fiscal year 2010 would match what was collected in previous years. Past fiscal year 2011, federal stimulus funds to offset the State's shortfall are not anticipated. In addition to the stimulus funds, the District was awarded federal education jobs funds in the amount of \$833,592 to be used during fiscal year 2011.

Perry Local School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2010

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.

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 Sherri Shaw Stewart, Treasurer of Perry Local School District, 4201 13th St. S.W., Massillon, OH 44646 or stewart@perrylocal.org.

Perry Local School District
Statement of Net Assets
June 30, 2010

	Governmental Activities
Assets	
Equity in Pooled Cash and Investments	\$ 31,503,508
Receivables:	
Taxes	19,818,781
Accounts	2,016
Accrued Interest	5,599
Intergovernmental	636,625
Inventory Held for Resale	51,624
Materials and Supplies Inventory	76,471
Nondepreciable Capital Assets	1,366,878
Depreciable Capital Assets, Net	21,168,789
<i>Total Assets</i>	74,630,291
Liabilities	
Accounts Payable	34,207
Accrued Wages and Benefits	4,901,669
Intergovernmental Payable	1,533,176
Matured Compensated Absences Payable	397,307
Deferred Revenue	18,159,513
Long-Term Liabilities:	
Due Within One Year	2,427,139
Due in More Than One Year	6,065,631
<i>Total Liabilities</i>	33,518,642
Net Assets	
Invested in Capital Assets	22,535,667
Restricted for:	
Capital Outlay	4,498,970
Other Purposes	331,032
Unrestricted	13,745,980
<i>Total Net Assets</i>	\$ 41,111,649

See accompanying notes to the Basic Financial Statements.

Perry Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$ 21,667,245	\$ 1,796,905	\$ 214,743	\$ 0	\$ (19,655,597)
Special	5,074,754	0	1,654,512	0	(3,420,242)
Vocational	3,121,771	12,202	353,340	0	(2,756,229)
Adult / Continuing	11,746	13,766	0	0	2,020
Student Intervention Services	200,811	0	0	0	(200,811)
Other	54,878	0	0	0	(54,878)
Support Services:					
Pupils	3,810,383	50,226	493,657	0	(3,266,500)
Instructional Staff	2,006,057	0	688,859	0	(1,317,198)
Board of Education	126,917	0	0	0	(126,917)
Administration	3,699,724	0	0	0	(3,699,724)
Fiscal	993,616	0	0	0	(993,616)
Business	228,242	0	0	0	(228,242)
Operation and Maintenance of Plant	4,437,961	0	20,577	213,993	(4,203,391)
Pupil Transportation	2,519,904	41,967	0	0	(2,477,937)
Central	565,489	0	65,580	0	(499,909)
Operation of Non-instructional Services:					
Food Service Operations	1,674,170	907,062	824,704	0	57,596
Community Services	387,759	1,977	134,443	0	(251,339)
Extracurricular Activities	1,180,722	432,509	22,311	0	(725,902)
Interest and Fiscal Charges	5,746	0	0	0	(5,746)
Total Primary Government	\$ 51,767,895	\$ 3,256,614	\$ 4,472,726	\$ 213,993	(43,824,562)

General Revenues

Property Taxes Levied for:

General Purposes	17,711,530
Capital Outlay	783,450
Grants and Entitlements not Restricted to Specific Programs	20,091,789
Investment Earnings	74,736
Miscellaneous	257,265

Total General Revenues 38,918,770

Change in Net Assets (4,905,792)

Net Assets Beginning of Year 46,017,441

Net Assets End of Year \$ 41,111,649

See accompanying notes to the Basic Financial Statements.

Perry Local School District

Balance Sheet

Governmental Funds

June 30, 2010

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Investments	\$ 26,119,741	\$ 4,426,440	\$ 957,327	\$ 31,503,508
Receivables:				
Taxes	18,990,768	828,013	0	19,818,781
Accounts	2,016	0	0	2,016
Accrued Interest	5,599	0	0	5,599
Intergovernmental	291,081	0	345,544	636,625
Inventory Held For Resale	0	0	51,624	51,624
Materials and Supplies Inventory	76,250	0	221	76,471
<i>Total Assets</i>	<u>\$ 45,485,455</u>	<u>\$ 5,254,453</u>	<u>\$ 1,354,716</u>	<u>\$ 52,094,624</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$ 31,644	\$ 0	\$ 2,563	\$ 34,207
Accrued Wages and Benefits	4,269,768	0	631,901	4,901,669
Intergovernmental Payable	1,385,325	0	147,851	1,533,176
Matured Compensated Absences Payable	376,582	0	20,725	397,307
Deferred Revenue	18,345,198	798,813	142,222	19,286,233
<i>Total Liabilities</i>	<u>24,408,517</u>	<u>798,813</u>	<u>945,262</u>	<u>26,152,592</u>
Fund Balances				
Reserved for Encumbrances	2,197,157	143,764	49,290	2,390,211
Reserved for Property Taxes	649,950	29,200	0	679,150
Unreserved, Undesignated, Reported in:				
General Fund	18,229,831	0	0	18,229,831
Special Revenue Funds	0	0	360,164	360,164
Capital Projects Fund	0	4,282,676	0	4,282,676
<i>Total Fund Balances</i>	<u>21,076,938</u>	<u>4,455,640</u>	<u>409,454</u>	<u>25,942,032</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 45,485,455</u>	<u>\$ 5,254,453</u>	<u>\$ 1,354,716</u>	<u>\$ 52,094,624</u>

See accompanying notes to the Basic Financial Statements.

Perry Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2010*

Total Governmental Fund Balances	\$	25,942,032
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		22,535,667
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Delinquent Property Taxes	\$ 1,061,720	
Intergovernmental	<u>65,000</u>	
 Total		 1,126,720

Long-term liabilities, including compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds:

Compensated Absences	(4,200,166)	
Early Retirement Incentive	<u>(4,292,604)</u>	
 Total		 <u>(8,492,770)</u>

<i>Net Assets of Governmental Activities</i>	\$	<u>41,111,649</u>
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See accompanying notes to 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, 2010

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Local Taxes	\$ 17,650,091	\$ 782,569	\$ 0	\$ 18,432,660
Intergovernmental	19,597,975	213,993	4,818,378	24,630,346
Investment Income	74,736	0	0	74,736
Tuition and Fees	1,860,602	0	117,695	1,978,297
Extracurricular Activities	28,086	0	414,897	442,983
Rentals	17,729	0	3,294	21,023
Customer Sales and Services	0	0	921,240	921,240
Gifts and Donations	10,000	0	77,539	87,539
Miscellaneous	210,961	0	46,304	257,265
<i>Total Revenues</i>	<u>39,450,180</u>	<u>996,562</u>	<u>6,399,347</u>	<u>46,846,089</u>
Expenditures				
Current:				
Instruction:				
Regular	18,484,663	580,469	587,508	19,652,640
Special	3,170,459	0	1,602,850	4,773,309
Vocational	2,364,746	69,043	179,053	2,612,842
Adult / Continuing	0	0	11,746	11,746
Student Intervention Services	208,675	0	29,610	238,285
Other	34,813	0	0	34,813
Support Services:				
Pupils	2,541,928	0	625,899	3,167,827
Instructional Staff	946,734	0	881,540	1,828,274
Board of Education	126,917	0	0	126,917
Administration	2,979,225	0	176,085	3,155,310
Fiscal	949,038	13,618	0	962,656
Business	49,990	0	151,906	201,896
Operation and Maintenance of Plant	4,169,865	0	20,577	4,190,442
Pupil Transportation	2,295,634	0	0	2,295,634
Central	534,519	0	26,996	561,515
Operation of Non-Instructional Services:				
Food Service Operations	0	0	1,568,573	1,568,573
Community Services	0	0	383,694	383,694
Extracurricular Activities	824,674	0	290,460	1,115,134
Capital Outlay	161,142	596,010	0	757,152
Debt Service:				
Principal Retirement	200,000	0	0	200,000
Interest and Fiscal Charges	5,746	0	0	5,746
<i>Total Expenditures</i>	<u>40,048,768</u>	<u>1,259,140</u>	<u>6,536,497</u>	<u>47,844,405</u>
<i>Net Change in Fund Balances</i>	(598,588)	(262,578)	(137,150)	(998,316)
<i>Fund Balances Beginning of Year</i>	<u>21,675,526</u>	<u>4,718,218</u>	<u>546,604</u>	<u>26,940,348</u>
<i>Fund Balances End of Year</i>	<u>\$ 21,076,938</u>	<u>\$ 4,455,640</u>	<u>\$ 409,454</u>	<u>\$ 25,942,032</u>

See accompanying notes to 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, 2010*

Net Change in Fund Balances - Total Governmental Funds \$ (998,316)

*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	\$ 913,675	
Current Year Depreciation	<u>(897,952)</u>	
 Total		 15,723

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

Delinquent Property Taxes	62,320	
Intergovernmental	<u>(46,306)</u>	
 Total		 16,014

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. 200,000

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.

Compensated Absences	153,391	
Early Retirement Incentive	<u>(4,292,604)</u>	
 Total		 <u>(4,139,213)</u>

Change in Net Assets of Governmental Activities \$ (4,905,792)

See accompanying notes to 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, 2010*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property and Other Local Taxes	\$ 17,585,000	\$ 17,606,000	\$ 17,764,451	\$ 158,451
Intergovernmental	19,800,656	19,730,429	19,597,975	(132,454)
Investment Income	318,500	168,500	76,828	(91,672)
Tuition and Fees	1,583,750	1,583,750	1,731,434	147,684
Extracurricular Activities	24,000	27,330	28,086	756
Rentals	15,000	15,000	17,729	2,729
Contributions and Donations	10,000	10,000	10,000	0
Miscellaneous	331,000	331,700	212,419	(119,281)
<i>Total Revenues</i>	<u>39,667,906</u>	<u>39,472,709</u>	<u>39,438,922</u>	<u>(33,787)</u>
Expenditures				
Current:				
Instruction:				
Regular	18,833,999	19,488,369	19,296,134	192,235
Special	3,300,888	3,512,301	3,381,883	130,418
Vocational	2,410,170	2,560,100	2,469,309	90,791
Student Intervention Services	248,051	266,465	254,138	12,327
Support Services:				
Pupils	2,633,251	2,781,254	2,697,864	83,390
Instructional Staff	920,496	986,784	943,083	43,701
Board of Education	126,478	138,375	129,581	8,794
Administration	3,240,340	3,442,686	3,319,849	122,837
Fiscal	917,288	997,896	939,796	58,100
Business	77,290	132,326	79,187	53,139
Operation and Maintenance of Plant	4,053,474	4,340,244	4,152,936	187,308
Pupil Transportation	2,306,843	2,668,684	2,363,447	305,237
Central	483,407	552,528	495,269	57,259
Operation of Non-Instructional Services:				
Food Service Operations	1,654	86,900	1,695	85,205
Extracurricular Activities	795,424	855,335	814,942	40,393
Capital Outlay	264,391	375,324	270,878	104,446
<i>Total Expenditures</i>	<u>40,613,444</u>	<u>43,185,571</u>	<u>41,609,991</u>	<u>1,575,580</u>
<i>Excess of Revenues Over Expenditures</i>	<u>(945,538)</u>	<u>(3,712,862)</u>	<u>(2,171,069)</u>	<u>1,541,793</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	1,000	1,000	0	(1,000)
Refund of Prior Year Expenditures	100	100	62	(38)
Advances In	25,000	25,000	41,400	16,400
Advances Out	(25,000)	(40,000)	(40,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>1,100</u>	<u>(13,900)</u>	<u>1,462</u>	<u>15,362</u>
<i>Net Change in Fund Balance</i>	<u>(944,438)</u>	<u>(3,726,762)</u>	<u>(2,169,607)</u>	<u>1,557,155</u>
<i>Fund Balance Beginning of Year</i>	25,898,889	25,898,889	25,898,889	0
Prior Year Encumbrances Appropriated	167,158	167,158	167,158	0
<i>Fund Balance End of Year</i>	<u>\$ 25,121,609</u>	<u>\$ 22,339,285</u>	<u>\$ 23,896,440</u>	<u>\$ 1,557,155</u>

See accompanying notes to the Basic Financial Statements.

Perry Local School District
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2010

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Investments	<u>\$ 65,508</u>
Liabilities	
Due to Students	<u>\$ 65,508</u>

See accompanying notes to the Basic Financial Statements.

Perry Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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, 2009, was 4,758. The School District employs 352 certificated and 248 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. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. The more significant of the School District’s accounting policies are described below.

Perry Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

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, 2010

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, 2010

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, 2010, but which were levied to finance fiscal year 2011 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. Although the legal level of control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. 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, 2010

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 Investments

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 investments" on the financial statements.

During fiscal year 2010, investments were limited to STAROhio and certificates of deposit.

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, 2010.

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 2010 amounted to \$74,736, which includes \$13,147 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 "equity in pooled cash and investments". 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".

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. The donated commodities are presented at their entitlement values.

Perry Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

Note 2 - Summary of Significant Accounting Policies (Continued)

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, 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.

J. Accrued Liabilities and Long-term Obligations

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

Perry Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

Note 2 - Summary of Significant Accounting Policies (Continued)

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 and compensated absences 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, 2010, 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 and property taxes.

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.

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 2010.

Perry Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

Note 2 - Summary of Significant Accounting Policies (Continued)

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 June 30, 2010, the School District has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets," GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments," and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies."

GASB Statement No. 51 establishes standards of accounting and financial reporting for intangible assets for all state and local governments. Inconsistencies in the accounting and financial reporting for intangible assets, particularly in the areas of recognition, initial measurement, and amortization, have occurred in practice due to the absence of sufficiently specific authoritative guidance that addresses these questions. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code.

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

Note 3 – Accountability

Fund balances at June 30, 2010 included the following individual fund deficits:

<u>Other Governmental Funds:</u>	
Title VI-B	\$ 31,563
Fiscal Stabilization	105,592
Drug Free Grant	82
Title I	129,192
Preschool	20,558

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.

Perry Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

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).

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.

Net Change in Fund Balance

	General
GAAP Basis	\$ (598,588)
Net Adjustment for Revenue Accruals	(11,196)
Advances In	41,400
Advances Out	(40,000)
Net Adjustment for Expenditure Accruals	655,827
Adjustment for Encumbrances	(2,217,050)
Budget Basis	\$ (2,169,607)

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 five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Perry Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

Note 5 - Deposits and Investments (Continued)

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;
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.

Perry Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

Note 5 - Deposits and Investments (Continued)

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 2010, the School District and public depositories complied with the provisions of these statutes.

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 School District had \$535 cash on hand. The carrying amount of the School District's deposits was \$8,323,407. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2010, \$2,756,250 of the School District's bank balance of \$8,442,670 was exposed to custodial risk as discussed above, while \$5,686,420 was covered by Federal Deposit Insurance Corporation

Investments

As of June 30, 2010, the School District had the following investment and maturity:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturity 6 Months or Less</u>
STAROhio	\$ 23,245,074	\$ 23,245,074

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.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Perry Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

Note 5 - Deposits and Investments (Continued)

Credit Risk Standard & Poor's has assigned STAROhio an AAA rating. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

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, 2010:

Investment Type	Fair Value	Percent of Total
STAROhio	\$ 23,245,074	100.00%

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 2010 represents collections of calendar 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, 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 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009 and are collected in 2010 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 revenues received during calendar 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid 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, 2010

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 was 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 replaces 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, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2010 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, 2010 was \$649,950 in the general fund and \$29,200 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2009 was \$764,310 in the general fund and \$35,830 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 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 467,984,830	74.87%	\$ 445,357,670	74.10%
Commercial Industrial	133,500,250	21.36%	131,769,950	21.92%
Tangible Personal Property	1,028,187	0.16%	514,093	0.09%
Personal Public Utility	22,549,670	3.61%	23,376,780	3.89%
	<u>\$ 625,062,937</u>	<u>100.00%</u>	<u>\$ 601,018,493</u>	<u>100.00%</u>
Tax rate per \$1,000 assessed valuation	<u>\$ 47.80</u>		<u>\$ 48.40</u>	

Perry Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

Note 7 - Receivables

Receivables at June 30, 2010, consisted of taxes, accounts (rent, student fees and tuition), accrued interest 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, 2010, was as follows:

	Balance 6/30/2009	Additions	Deletions	Balance 6/30/2010
Governmental Activities				
<i>Capital Assets, not being depreciated</i>				
Land	\$ 1,366,878	\$ 0	\$ 0	\$ 1,366,878
<i>Capital Assets being depreciated</i>				
Land Improvements	1,472,047	0	0	1,472,047
Buildings and Improvements	29,441,378	671,660	0	30,113,038
Furniture and Equipment	1,545,078	84,290	0	1,629,368
Vehicles	3,278,748	157,725	0	3,436,473
<i>Total Capital Assets being depreciated</i>	<u>35,737,251</u>	<u>913,675</u>	<u>0</u>	<u>36,650,926</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(360,980)	(74,116)	0	(435,096)
Buildings and Improvements	(12,095,642)	(510,868)	0	(12,606,510)
Furniture and Equipment	(562,339)	(76,673)	0	(639,012)
Vehicles	(1,565,224)	(236,295)	0	(1,801,519)
<i>Total Accumulated Depreciation</i>	<u>(14,584,185)</u>	<u>(897,952) *</u>	<u>0</u>	<u>(15,482,137)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>21,153,066</u>	<u>15,723</u>	<u>0</u>	<u>21,168,789</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 22,519,944</u>	<u>\$ 15,723</u>	<u>\$ 0</u>	<u>\$ 22,535,667</u>

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 332,854
Special	66,207
Vocational	51,669
Support Services:	
Pupil	60,015
Instructional Staff	80,534
Administration	63,369
Fiscal	2,649
Operation and Maintenance of Plant	61,274
Pupil Transportaion	13,010
Operation of Non-Instructional Services:	
Food Service Operations	72,840
Extracurricular Activities	93,531
Total Depreciation	<u><u>\$ 897,952</u></u>

Perry Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

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, respectively, with a 100 percent blanket, all risk policy for property coverage. The School District's vehicle insurance policy limit is \$1,000,000 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.

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.

Perry Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

Note 9 - Risk Management (Continued)

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 2010 the School District's and the employee's premiums were \$1,012 and \$125 for family coverage and \$416 and \$51 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 2010, the School District's cost was \$147 for family coverage and \$59 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.

Note 10 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation, sick leave benefits and early retirement incentive 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 FY2010.

The Retirement Incentive/ERI Program consists of two options. The Cash Retirement Incentive is a one-time maximum retirement incentive of 40 percent of the employee's 2009-2010 contracted salary, which includes longevity and annuity. This will be available to bargaining unit members who retire effective at the end of the 2009-10 school year. The SERS Early Retirement Incentive Program (ERI) is according to the rules and regulations of SERS for anyone retiring at the end of the 2009-2010 or 2010-2011 school year. The effective date of retirement must be at the end of the contracted year.

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.

Perry Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

Note 11- Defined Benefit Pension Plans

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System of Ohio ("SERS"), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained 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 under Employers/Audit Resources.

Funding Policy - 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. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.74 percent and .04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$926,566, \$838,433 and \$780,444, respectively; 36 percent has been contributed for fiscal year 2010 and 100 percent for the fiscal years 2009 and 2008.

B. State Teachers Retirement System

Plan Description - 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.

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.

Perry Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

Note 11 - Defined Benefit Pension Plans (Continued)

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.

Funding Policy - For the fiscal year ended June 30, 2010, 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 2009 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 to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$2,897,392, \$2,968,504 and \$2,951,496, respectively; 83 percent has been contributed for fiscal year 2010 and 100 percent for the fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$31,803 made by the School District and \$64,733 made by the plan members.

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, 2010, 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

A. School Employees Retirement System

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, 0.46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$35,800.

Perry Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

Note 12 - Postemployment Benefits (Continued)

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

The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$121,869, \$249,134 and \$267,244, respectively; 36 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$50,299, \$44,916 and \$33,980, respectively; 36 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System

Plan Description - The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS Ohio based on authority granted by State Statute. The Plan is included in the financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010 STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$222,876, \$212,036 and \$267,244, respectively; 83 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

Note 13 - Long - Term Obligations

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

	Outstanding 6/30/2009	Additions	Reductions	Outstanding 6/30/2010	Due in One Year
Capital Lease	\$ 200,000	\$ 0	\$ (200,000)	\$ 0	\$ 0
Compensated Absences	4,353,557	287,713	(441,104)	4,200,166	138,762
Early Retirement Incentive	0	4,292,604	0	4,292,604	2,288,377
<i>Total Long-Term Obligations</i>	<u>\$ 4,553,557</u>	<u>\$ 4,580,317</u>	<u>\$ (641,104)</u>	<u>\$ 8,492,770</u>	<u>\$ 2,427,139</u>

Perry Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

Note 13 - Long - Term Obligations (Continued)

Compensated absences will be paid from the general, food service, auxiliary and Title I funds. Early retirement incentive will be paid from the general, food service, IDEA B, Fiscal Stabilization and IDEA B Preschool funds. This has been the policy in prior years also.

Note 14 - Capitalized Lease

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 generally accepted accounting standards 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 and are reflected as capital outlay in the general fund on the budgetary basis.

The general capital assets acquired by the leases have been capitalized as buildings and improvements 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. Accumulated depreciation as of June 30, 2010 was \$139,969. A corresponding liability was recorded in the statement of net assets and is reduced for each required principal payment. The final payments on the capital lease were made in fiscal year 2010.

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 \$124,359 to SPARCC during the fiscal year 2010. 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 38th Street NW, Canton, OH 44709-2300.

Perry Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

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 38th 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, 2010.

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 had qualifying disbursements during the fiscal year that 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, 2010

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, 2009	\$ (2,932,659)	\$ 0
Current Year Set-Aside Requirement	791,609	791,609
Qualifying Disbursements	(1,240,098)	(1,145,049)
Total	\$ (3,381,148)	\$ (353,440)
Set-Aside Balance, Carried Forward to Future Fiscal Years	\$ (3,381,148)	\$ 0
Set-Aside Reserve Balance as of June 30, 2010	\$ 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.

SUPPLEMENTARY DATA

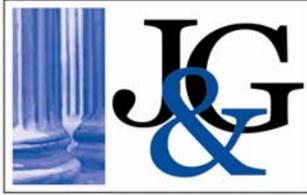
**PERRY LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(D) PASS-THROUGH GRANT NUMBER	(C) CASH FEDERAL RECEIPTS	(C) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
<i>Nutrition Grant Cluster:</i>				
(B)(G) School Breakfast Program	10.553	N/A	\$ 141,772	\$ 141,772
(A)(G) National School Lunch Program- Food Donation	10.555	2010	100,839	100,839
(B)(G) National School Lunch Program	10.555	2010	705,312	705,312
Total National School Lunch Program			<u>806,151</u>	<u>806,151</u>
Total Nutrition Grant Cluster			<u>947,923</u>	<u>947,923</u>
ARRA - Child Nutrition Discretionary Grants Limited Availability, Recovery Act	10.579	2010	14,395	14,395
Total U.S. Department of Agriculture			<u>962,318</u>	<u>962,318</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
<i>Title I Grant Cluster:</i>				
(E) Title I Grants to Local Educational Agencies	84.010	2009	53,945	89,910
(E) Title I Grants to Local Educational Agencies	84.010	2010	446,408	451,784
Total Title I Grants to Local Educational Agencies			<u>500,353</u>	<u>541,694</u>
(E) ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2010	218,645	221,427
Total Title I Grant Cluster			<u>718,998</u>	<u>763,121</u>
<i>Special Education Grant Cluster:</i>				
(F) Special Education_Grants to States	84.027	2009	78,895	124,567
(F) Special Education_Grants to States	84.027	2010	852,843	824,724
Total Special Education Grants to State			<u>931,738</u>	<u>949,291</u>
(F) ARRA - Special Education_Grants to States, Recovery Act	84.391	2010	445,000	445,153
(F) Special Education_Preschool Grants	84.173	2009	691	691
(F) Special Education_Preschool Grants	84.173	2010	24,523	24,523
Total Special Education Preschool Grants			<u>25,214</u>	<u>25,214</u>
(F) ARRA - Special Education_Preschool Grants, Recovery Act	84.392	2010	29,600	29,138
Total Special Education Grant Cluster			<u>1,431,552</u>	<u>1,448,796</u>
Safe and Drug-Free Schools and Communities_State Grants	84.186	2009	1,602	1,792
Safe and Drug-Free Schools and Communities_State Grants	84.186	2010	10,827	10,493
Total Safe and Drug-Free Schools and Communities_State Grants			<u>12,429</u>	<u>12,285</u>
State Grants for Innovative Programs	84.298	2009	257	484
Education Technology State Grants	84.318	2010	3,850	3,849
Improving Teacher Quality State Grants	84.367	2009	14,954	24,490
Improving Teacher Quality State Grants	84.367	2010	141,055	138,487
Total Improving Teacher Quality State Grants			<u>156,009</u>	<u>162,977</u>
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	2010	922,450	898,279
Total U.S. Department of Education			<u>3,245,545</u>	<u>3,289,791</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE OHIO DEPARTMENT OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES				
Maternal and Child Health Federal Consolidated Programs	93.110	2010	100	100
Total U.S. Department of Health and Human Services			<u>100</u>	<u>100</u>
Total Federal Financial Assistance			<u>\$ 4,207,963</u>	<u>\$ 4,252,209</u>

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

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS:

- (A) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at entitlement value.
- (B) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first in, first out basis.
- (C) This schedule was prepared on the cash basis of accounting.
- (D) OAKS did not assign pass-through grant numbers for fiscal year 2010.
- (E) Included as part of "Title I Grant Cluster" in determining major programs.
- (F) Included as part of "Special Education Grant Cluster" in determining major programs.
- (G) Included as part of the "Nutrition Grant Cluster" in determining major programs.



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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*

Perry Local School District
4201 13th Street S. W.
Massillon, OH 44646

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Perry Local School District, Stark County, Ohio, as of and for the fiscal year ended June 30, 2010, which collectively comprise Perry Local School District's basic financial statements and have issued our report thereon dated December 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Perry Local School District's financial statements will not be prevented, or detected and timely corrected.

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

Board of Education
Perry Local School District

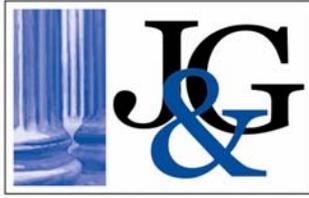
Compliance and Other Matters

As part of reasonably assuring whether Perry Local School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the management and Board of Education of the Perry Local School District, federal awarding agencies and pass-through entities, and others within the Perry Local School District. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
December 22, 2010



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Report on Compliance With Requirements Applicable to Each
Major Federal Program and on Internal Control Over Compliance
in Accordance With OMB Circular A-133**

Perry Local School District
4201 13th Street S. W.
Massillon, OH 44646

To the Board of Education:

Compliance

We have audited the compliance of the Perry Local School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that apply to each of its major federal programs for the fiscal year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the Perry Local School District's major federal programs. The Perry Local School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Perry Local 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Perry Local School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Perry Local School District's compliance with those requirements.

In our opinion, the Perry Local School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the fiscal year ended June 30, 2010.

Internal Control Over Compliance

The Perry Local School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Perry Local School District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of Perry Local School District's internal control over compliance.

Board of Education
Perry Local School District

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

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

We intend this report solely for the information and use of the management and Board of Education of the Perry Local School District, federal awarding agencies and pass-through entities, and others within the Perry Local School District. We intend it for no one other than these specified parties.



Julian & Grube, Inc.
December 22, 2010

**PERRY LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

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

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Nutrition Grant Cluster: School Breakfast Program (CFDA #10.553) and National School Lunch Program (CFDA #10.555); Title I Grant Cluster: Title I Grants to Local Educational Agencies (CFDA #84.010) and ARRA - Title I Grants to Local Educational Agencies, Recovery Act (CFDA #84.389); Special Education Grant Cluster: Special Education_Grants to States (CFDA #84.027), ARRA - Special Education_Grants to States, Recovery Act (CFDA #84.391), Special Education_Preschool Grants (CFDA #84.173) and ARRA - Special Education_Preschool Grants, Recovery Act (CFDA #84.392); ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act (CFDA #84.394)

**PERRY LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

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

1. SUMMARY OF AUDITOR'S RESULTS - (Continued)		
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • 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
FEBRUARY 15, 2011