

**PERRY LOCAL  
SCHOOL DISTRICT**



**AUDITED FINANCIAL STATEMENTS  
JUNE 30, 2002**





**Auditor of State  
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the Perry Local School District, Stark County, prepared by Rea & Associates, Inc., for the audit period July 1, 2001 through June 30, 2002. 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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

January 22, 2003

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**PERRY LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**JUNE 30, 2002**

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# Rea & Associates, Inc.

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ACCOUNTANTS AND BUSINESS CONSULTANTS

December 16, 2002

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

## Independent Auditor's Report

We have audited the accompanying general purpose financial statements of Perry Local School District (the "District") as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Perry Local School District as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated December 16, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit

*Rea & Associates, Inc.*

**PERRY LOCAL SCHOOL DISTRICT**

*Combined Balance Sheet*

**All Fund Types and Account Groups**

June 30, 2002

	<b>Governmental Fund Types</b>		
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>
<b><u>Assets</u></b>			
Equity in Pooled Cash and Cash Equivalents	\$ 7,613,161	\$ 637,982	\$ 1,206,912
Restricted Cash and Cash Equivalents with Trustee	102,578	0	0
Receivables:			
Taxes	22,394,900	0	905,053
Accounts	120,035	0	0
Interfund	40,000	0	0
Intergovernmental	0	58,435	0
Materials and Supplies Inventory	56,029	0	0
Fixed Assets (Net)	0	0	0
<b><u>Other Debits</u></b>			
Amount to be Provided from General			
Government Resources	0	0	0
<b>Total Assets and Other Debits</b>	<b>\$ 30,326,703</b>	<b>\$ 696,417</b>	<b>\$ 2,111,965</b>
<b><u>Liabilities</u></b>			
Accounts Payable	\$ 455,219	\$ 17,800	\$ 27,416
Accrued Wages and Benefits	2,798,580	158,050	0
Compensated Absences Payable	209,408	6,357	0
Interfund Payable	0	0	0
Intergovernmental Payable	659,786	35,045	0
Deferred Revenue	22,033,510	1,696	889,073
Due to Students	0	0	0
Capital Lease Payable	0	0	0
Energy Conservation Loan Payable	0	0	0
Early Retirement Incentive Payable	158,118	0	0
<b>Total Liabilities</b>	<b>26,314,621</b>	<b>218,948</b>	<b>916,489</b>
<b><u>Fund Equity and Other Credits</u></b>			
Investment in General Fixed Assets	0	0	0
Retained Earnings (Deficit): Unreserved	0	0	0
Fund Balance:			
Reserved for Inventory	56,029	0	0
Reserved for Encumbrances	508,954	46,648	256,763
Reserved for Taxes Unavailable for Appropriation	361,390	0	15,980
Reserved for Debt Service	102,578	0	0
Unreserved: Undesignated	2,983,131	430,821	922,733
<b>Total Fund Equity and Other Credits</b>	<b>4,012,082</b>	<b>477,469</b>	<b>1,195,476</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$ 30,326,703</b>	<b>\$ 696,417</b>	<b>\$ 2,111,965</b>

The accompanying notes are an integral part of these financial statements.



Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$ 45,112	\$ 0	\$ 46,584	\$ 0	\$ 0	\$ 9,549,751
0	0	0	0	0	102,578
0	0	0	0	0	23,299,953
6,300	0	2,155	0	0	128,490
0	0	0	0	0	40,000
37,196	0	0	0	0	95,631
3,157	0	0	0	0	59,186
18,108	0	0	31,558,546	0	31,576,654
0	0	0	0	4,029,087	4,029,087
<u>\$ 109,873</u>	<u>\$ 0</u>	<u>\$ 48,739</u>	<u>\$ 31,558,546</u>	<u>\$ 4,029,087</u>	<u>\$ 68,881,330</u>
\$ 1,314	\$ 0	\$ 4,990	\$ 0	\$ 0	\$ 506,739
92,118	0	0	0	0	3,048,748
59,049	0	0	0	2,768,175	3,042,989
40,000	0	0	0	0	40,000
88,185	0	0	0	200,912	983,928
0	0	0	0	0	22,924,279
0	0	34,935	0	0	34,935
0	0	0	0	870,000	870,000
0	0	0	0	190,000	190,000
0	0	0	0	0	158,118
<u>280,666</u>	<u>0</u>	<u>39,925</u>	<u>0</u>	<u>4,029,087</u>	<u>31,799,736</u>
0	0	0	31,558,546	0	31,558,546
(170,793)	0	0	0	0	(170,793)
0	0	0	0	0	56,029
0	0	20	0	0	812,385
0	0	0	0	0	377,370
0	0	0	0	0	102,578
0	0	8,794	0	0	4,345,479
<u>(170,793)</u>	<u>0</u>	<u>8,814</u>	<u>31,558,546</u>	<u>0</u>	<u>37,081,594</u>
<u>\$ 109,873</u>	<u>\$ 0</u>	<u>\$ 48,739</u>	<u>\$ 31,558,546</u>	<u>\$ 4,029,087</u>	<u>\$ 68,881,330</u>

**PERRY LOCAL SCHOOL DISTRICT**

*Combined Statement of Revenues, Expenditures  
and Changes in Fund Balances*

**All Governmental Fund Types and Expendable Trust Funds**

For the Year Ended June 30, 2002

	<b>Governmental Fund Type</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>Revenues</b>				
Taxes	\$ 19,740,307	\$ 0	\$ 0	\$ 795,791
Intergovernmental	13,849,062	2,014,612	196,511	86,046
Investment Income	211,321	3,412	0	0
Tuition and Fees	539,673	26,128	0	0
Extracurricular Activities	21,070	392,469	0	0
Miscellaneous	614,220	60,162	0	0
<b>Total Revenues</b>	<b>34,975,653</b>	<b>2,496,783</b>	<b>196,511</b>	<b>881,837</b>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	14,268,450	719,086	0	5,372
Special	3,021,546	350,360	0	0
Vocational	1,623,139	0	0	0
Support Services:				
Pupils	1,763,073	368,355	0	0
Instructional Staff	776,330	376,947	0	11,120
Board of Education	106,741	0	0	0
Administration	2,330,596	58,093	0	2,128
Fiscal	556,819	1,914	0	0
Operation and Maintenance of Plant	2,963,155	56,667	0	0
Pupil Transportation	1,709,217	166	0	0
Central	178,139	12,084	0	0
Operation of Non-Instructional Services	28,084	279,486	0	0
Extracurricular Activities	576,354	215,165	0	0
Capital Outlay	1,688,241	742	0	56,108
Debt Service:				
Principal Retirement	1,016,524	0	180,000	0
Interest and Fiscal Charges	79,317	0	16,511	0
<b>Total Expenditures</b>	<b>32,685,725</b>	<b>2,439,065</b>	<b>196,511</b>	<b>74,728</b>
Excess of Revenues Over Expenditures	2,289,928	57,718	0	807,109
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sales of Fixed Assets	20,609	0	0	0
Operating Transfers Out	(6,800)	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>13,809</b>	<b>0</b>	<b>0</b>	<b>0</b>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	2,303,737	57,718	0	807,109
Fund Balance at Beginning Of Year	1,731,703	419,751	0	388,367
(Decrease) in Reserve for Inventory	(23,358)	0	0	0
<b>Fund Balance at End of Year</b>	<b>\$ 4,012,082</b>	<b>\$ 477,469</b>	<b>\$ 0</b>	<b>\$ 1,195,476</b>

The accompanying notes are an integral part of these financial statements.

<u>Fiduciary Fund Type Expendable Trust</u>	<u>Totals (Memorandum Only)</u>
\$ 0	\$ 20,536,098
0	16,146,231
0	214,733
0	565,801
804	414,343
12,604	686,986
<u>13,408</u>	<u>38,564,192</u>
3,000	14,995,908
0	3,371,906
1,000	1,624,139
0	2,131,428
0	1,164,397
0	106,741
0	2,390,817
0	558,733
0	3,019,822
0	1,709,383
7,734	197,957
0	307,570
0	791,519
0	1,745,091
0	1,196,524
0	95,828
<u>11,734</u>	<u>35,407,763</u>
1,674	3,156,429
0	20,609
0	(6,800)
<u>0</u>	<u>13,809</u>
1,674	3,170,238
7,140	2,546,961
<u>0</u>	<u>(23,358)</u>
<u>\$ 8,814</u>	<u>\$ 5,693,841</u>

**PERRY LOCAL SCHOOL DISTRICT**

*Combined Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual - (Non-GAAP Budgetary Basis)*

**All Governmental Fund Types and Expendable Trust Funds**

For the Year Ended June 30, 2002

	<b>General Fund</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Taxes	\$ 19,873,007	\$ 19,873,007	\$ 0
Intergovernmental	13,849,062	13,849,062	0
Investment Income	209,308	209,308	0
Tuition and Fees	556,891	556,891	0
Extracurricular Activities	21,070	21,070	0
Miscellaneous	540,889	540,889	0
<b>Total Revenues</b>	<b>35,050,227</b>	<b>35,050,227</b>	<b>0</b>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	14,162,815	14,162,815	0
Special	3,110,572	3,110,572	0
Vocational	1,909,256	1,909,256	0
Support Services			
Pupils	1,772,530	1,772,530	0
Instructional Staff	801,796	801,796	0
Board of Education	114,348	114,348	0
Administration	2,338,814	2,338,814	0
Fiscal	560,930	560,930	0
Operation and Maintenance of Plant	3,158,965	3,158,965	0
Pupil Transportation	1,783,842	1,783,842	0
Central	181,727	181,727	0
Operation of Non-Instructional Services	38,091	38,091	0
Extracurricular Activities	567,215	567,215	0
Capital Outlay	1,865,542	1,865,542	0
Debt Service			
Principal Retirement	1,016,524	1,016,524	0
Interest and Fiscal Charges	78,876	78,876	0
<b>Total Expenditures</b>	<b>33,461,843</b>	<b>33,461,843</b>	<b>0</b>
Excess of Revenues Over (Under) Expenditures	1,588,384	1,588,384	0
<b>Other Financing Sources (Uses)</b>			
Proceeds from Sale of Assets	20,609	20,609	0
Advances In	220,029	220,029	0
Advances Out	(240,000)	(240,000)	0
Operating Transfers Out	(6,800)	(6,800)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(6,162)</b>	<b>(6,162)</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,582,222	1,582,222	0
Fund Balance at Beginning of Year	4,553,242	4,553,242	0
Prior Year Encumbrances Appropriated	672,685	672,685	0
<b>Fund Balance at End of Year</b>	<b>\$ 6,808,149</b>	<b>\$ 6,808,149</b>	<b>\$ 0</b>

The accompanying notes are an integral part of these financial statements.

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
1,963,657	1,963,657	0	196,511	196,511	0
3,412	3,412	0	0	0	0
26,128	26,128	0	0	0	0
392,469	392,469	0	0	0	0
60,162	60,162	0	0	0	0
<u>2,445,828</u>	<u>2,445,828</u>	<u>0</u>	<u>196,511</u>	<u>196,511</u>	<u>0</u>
789,974	789,974	0	0	0	0
345,930	345,930	0	0	0	0
0	0	0	0	0	0
386,708	386,708	0	0	0	0
370,215	370,215	0	0	0	0
0	0	0	0	0	0
57,405	57,405	0	0	0	0
1,920	1,920	0	0	0	0
56,667	56,667	0	0	0	0
166	166	0	0	0	0
12,084	12,084	0	0	0	0
289,878	289,878	0	0	0	0
226,857	226,857	0	0	0	0
0	0	0	0	0	0
0	0	0	180,000	180,000	0
0	0	0	16,511	16,511	0
<u>2,537,804</u>	<u>2,537,804</u>	<u>0</u>	<u>196,511</u>	<u>196,511</u>	<u>0</u>
(91,976)	(91,976)	0	0	0	0
0	0	0	0	0	0
100,000	100,000	0	0	0	0
(120,029)	(120,029)	0	0	0	0
0	0	0	0	0	0
<u>(20,029)</u>	<u>(20,029)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(112,005)	(112,005)	0	0	0	0
496,640	496,640	0	0	0	0
189,415	189,415	0	0	0	0
<u>\$ 574,050</u>	<u>\$ 574,050</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

(Continued)

**PERRY LOCAL SCHOOL DISTRICT**

*Combined Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual - Budgetary Basis*  
**All Governmental Fund Types and Expendable Trust Funds (Continued)**  
 For the Year Ended June 30, 2002

	<b>Capital Project Fund</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Taxes	\$ 792,361	\$ 792,361	\$ 0
Intergovernmental	86,046	86,046	0
Investment Income	0	0	0
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Miscellaneous	0	0	0
<b>Total Revenues</b>	<b>878,407</b>	<b>878,407</b>	<b>0</b>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	5,372	5,372	0
Special	0	0	0
Vocational	0	0	0
Support Services			
Pupils	0	0	0
Instructional Staff	19,158	19,158	0
Board of Education	0	0	0
Administration	2,128	2,128	0
Fiscal	0	0	0
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	0	0	0
Central	0	0	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	312,871	312,871	0
Debt Service			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<b>Total Expenditures</b>	<b>339,529</b>	<b>339,529</b>	<b>0</b>
Excess of Revenues Over (Under) Expenditures	538,878	538,878	0
<b>Other Financing Sources (Uses)</b>			
Proceeds from Sale of Assets	0	0	0
Advances In	0	0	0
Advances Out	0	0	0
Operating Transfers Out	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	538,878	538,878	0
Fund Balance at Beginning of Year	383,855	383,855	0
Prior Year Encumbrances Appropriated	0	0	0
<b>Fund Balance at End of Year</b>	<b>\$ 922,733</b>	<b>\$ 922,733</b>	<b>\$ 0</b>

The accompanying notes are an integral part of these financial statements.

Expendable Trust Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 20,665,368	\$ 20,665,368	\$ 0
0	0	0	16,095,276	16,095,276	0
0	0	0	212,720	212,720	0
0	0	0	583,019	583,019	0
804	804	0	414,343	414,343	0
10,449	10,449	0	611,500	611,500	0
11,253	11,253	0	38,582,226	38,582,226	0
3,000	3,000	0	14,961,161	14,961,161	0
0	0	0	3,456,502	3,456,502	0
1,000	1,000	0	1,910,256	1,910,256	0
0	0	0	2,159,238	2,159,238	0
0	0	0	1,191,169	1,191,169	0
0	0	0	114,348	114,348	0
0	0	0	2,398,347	2,398,347	0
0	0	0	562,850	562,850	0
0	0	0	3,215,632	3,215,632	0
0	0	0	1,784,008	1,784,008	0
7,874	7,874	0	201,685	201,685	0
0	0	0	327,969	327,969	0
0	0	0	794,072	794,072	0
0	0	0	2,178,413	2,178,413	0
0	0	0	1,196,524	1,196,524	0
0	0	0	95,387	95,387	0
11,874	11,874	0	36,547,561	36,547,561	0
(621)	(621)	0	2,034,665	2,034,665	0
0	0	0	20,609	20,609	0
0	0	0	320,029	320,029	0
0	0	0	(360,029)	(360,029)	0
0	0	0	(6,800)	(6,800)	0
0	0	0	(26,191)	(26,191)	0
(621)	(621)	0	2,008,474	2,008,474	0
7,189	7,189	0	5,440,926	5,440,926	0
105	105	0	862,205	862,205	0
\$ 6,673	\$ 6,673	\$ 0	\$ 8,311,605	\$ 8,311,605	\$ 0

**PERRY LOCAL SCHOOL DISTRICT**

*Combined Statement of Revenues,  
Expenses, and Changes in Fund Equity*

**All Proprietary Fund Types**

For the Year Ended June 30, 2002

	<u>Proprietary Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>Enterprise</u>	<u>Internal Service</u>	
<b><u>Operating Revenues</u></b>			
Sales	\$ 924,739	\$ 0	\$ 924,739
Charges for Services	18,025	0	18,025
Other Operating Revenues	81,417	0	81,417
<b>Total Operating Revenues</b>	<u>1,024,181</u>	<u>0</u>	<u>1,024,181</u>
<b><u>Operating Expenses</u></b>			
Salaries	573,956	0	573,956
Fringe Benefits	216,249	0	216,249
Purchased Services	73,925	0	73,925
Materials and Supplies	673,542	211	673,753
Depreciation	2,443	0	2,443
Other Operating Expenses	2,196	0	2,196
<b>Total Operating Expenses</b>	<u>1,542,311</u>	<u>211</u>	<u>1,542,522</u>
Operating Loss	<u>(518,130)</u>	<u>(211)</u>	<u>(518,341)</u>
<b><u>Non-Operating Revenues (Expenses)</u></b>			
Operating Grants	347,929	0	347,929
Donated Commodities	135,027	0	135,027
Investment Income	512	0	512
Loss on Disposal of Fixed Assets	(4,628)	0	(4,628)
<b>Total Non-Operating Revenues (Expenses)</b>	<u>478,840</u>	<u>0</u>	<u>478,840</u>
Loss Before Operating Transfers	(39,290)	(211)	(39,501)
Operating Transfers In	<u>6,800</u>	<u>0</u>	<u>6,800</u>
Net Loss	(32,490)	(211)	(32,701)
Retained Earnings (Deficit) at Beginning of Year	<u>(138,303)</u>	<u>211</u>	<u>(138,092)</u>
<b>Retained Earnings (Deficit) at End of Year</b>	<u>\$ (170,793)</u>	<u>\$ 0</u>	<u>\$ (170,793)</u>

The accompanying notes are an integral part of these financial statements.



**PERRY LOCAL SCHOOL DISTRICT**

*Combined Statement of Cash Flows*

**All Proprietary Fund Types**

For the Year Ended June 30, 2002

	<b>Proprietary Fund Types</b>		<b>Totals</b>
	<b>Enterprise</b>	<b>Internal Service</b>	<b>(Memorandum Only)</b>
<b><u>Cash Flows From Operating Activities</u></b>			
Cash Received from Customers	\$ 999,043	\$ 0	\$ 999,043
Cash Received from Other Sources	18,838	0	18,838
Cash Payments for Goods and Services	(599,793)	(211)	(600,004)
Cash Payments to Employees	(774,798)	0	(774,798)
Other Cash Payments	(2,445)	0	(2,445)
<b>Net Cash Used For Operating Activities</b>	<b>(359,155)</b>	<b>(211)</b>	<b>(359,366)</b>
<b><u>Cash Flows From Non-Capital Financing Activities</u></b>			
Grants	310,733	0	310,733
Advances In	140,000	0	140,000
Advances Out	(100,000)	0	(100,000)
Transfers In	6,800	0	6,800
<b>Net Cash Provided By Non-Capital Activities</b>	<b>357,533</b>	<b>0</b>	<b>357,533</b>
<b><u>Cash Flows From Capital and Related Financing Activities</u></b>			
Acquisition of Capital Assets	(12,870)	0	(12,870)
<b><u>Cash Flows From Investing Activities</u></b>			
Interest Income	512	0	512
Net Decrease in Cash and Cash Equivalents	(13,980)	(211)	(14,191)
Cash and Cash Equivalents at Beginning of Year	59,092	211	59,303
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 45,112</b>	<b>\$ 0</b>	<b>\$ 45,112</b>
<b><u>Reconciliation of Operating Loss to Net Cash Used For Operating Activities</u></b>			
Operating Loss	\$ (518,130)	\$ (211)	\$ (518,341)
<b>Adjustments to Reconcile Operating Loss to Net Cash Used For Operating Activities:</b>			
Depreciation	2,443	0	2,443
Non-cash Donated Commodities	135,027	0	135,027
(Increase) in Accounts Receivable	(6,300)	0	(6,300)
Decrease in Inventory	29,193	0	29,193
(Decrease) in Accounts Payable	(362)	0	(362)
Increase in Accrued Wages and Benefits	8,356	0	8,356
(Decrease) in Compensated Absences Payable	(1,753)	0	(1,753)
(Increase) in Intergovernmental Payable	11,727	0	11,727
(Decrease) in Deferred Revenue	(16,433)	0	(16,433)
(Decrease) in Early Retirement Incentive Payable	(2,923)	0	(2,923)
<b>Total Adjustments</b>	<b>158,975</b>	<b>0</b>	<b>158,975</b>
<b>Net Cash Used For Operating Activities</b>	<b>\$ (359,155)</b>	<b>\$ (211)</b>	<b>\$ (359,366)</b>

The accompanying notes are an integral part of these financial statements.

PERRY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

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NOTE 1: NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY

The Perry Local School District (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 District is a school district as defined by Section 3311.02 of the Ohio Revised Code. The District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the District. Average daily membership on, or as of October 1, 2001, was 4,579. The District employs 337 certificated and 219 non-certificated employees.

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

Components are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to, or can otherwise access, the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provides financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. The District does not have any component units.

Included with the reporting entity within the District's boundaries are non-public schools which are operated by religious organizations. Current state legislation provides state funding to these non-public schools. The state monies are received and disbursed on behalf of the school by the District Treasurer, as directed by the school. The receipt and disbursement activity of these monies is reflected in a special revenue fund.

The District is involved with Stark Portage Area Computer Consortium (SPARCC), CompManagement Workers Compensation Group Rating Program, Stark County School Council of Governments Health Benefits Program, which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 19.

Management believes the general purpose financial statements included in the report represent all of the funds of the District over which the District has the ability to exercise direct operating control.

PERRY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Measurement Focus, Basis of Accounting, and Basis of Presentation

The accounts of the District are organized and operated on the basis of funds and account groups to report on its' financial position and the results of operations. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The District has the following fund types and account groups:

**Governmental Fund Types**

Governmental fund types are used to account for the District's general government activities. Governmental fund types and the expendable trust funds use the flow of current financial resources measurement focus and the modified accrual basis of accounting. 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 the pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year end.

Nonexchange transactions, in which the 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 taxes are levied. (See Note 6.) Revenue from grants 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 the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the 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, interest, tuition, grants, student fees and rentals.

PERRY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2002, but which are levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Under the modified accrual basis of accounting, receivables that will not be collected within the available period have also been reported as deferred revenue.

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. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service funds for payment to be made early in the following year. Compensated absences are reported as a fund liability when payment will require use of current available financial resources. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds. Governmental funds include the following fund types:

General Fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources, other than expendable trusts or major capital projects, that are legally restricted to expenditure for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for the payment of general long-term obligation principal, interest, and related costs.

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary or nonexpendable trust funds.

**Proprietary Fund Types**

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types and the nonexpendable trust fund. Revenues are recognized in the accounting period which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue. Allocations of costs, such as depreciation, are recognized in the proprietary funds. As permitted, the District has elected to apply only applicable Financial Accounting Standards Board Statements and Interpretations issued before November 30, 1989 in its accounting and reporting practices for its proprietary operations unless they contradict/conflict with Governmental Accounting Standards Board pronouncements. Proprietary fund types include the following fund types:

PERRY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Enterprise Funds - Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs, including depreciation where applicable, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other governmental units, on a cost-reimbursement basis.

**Fiduciary Fund Types**

Fiduciary fund types account for assets held by the District in a trustee capacity or as an agent on behalf of others. Fiduciary fund types are as follows:

Expendable Trust Funds - Expendable trust funds are accounted for in essentially the same manner as the governmental fund types.

Agency Funds - The agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds are used to account for assets that the District holds for others in an agency capacity.

**Account Groups**

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the District, other than those accounted for in proprietary or nonexpendable trust funds.

General Long-term Obligations Account Group - This account group is established to account for all long-term obligations of the District except those accounted for in the proprietary or nonexpendable trust funds.

PERRY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources as certified by the County Auditor.

All funds, other than the agency funds, are required to be budgeted and appropriated. The primary level of budgetary control is at the fund level for all funds. Budgetary modifications that change total fund appropriations may only be made by resolution of the Board of Education. Budgetary statements are not presented for proprietary fund types.

C. Cash, Cash Equivalents, and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

During fiscal year 2002, investments were limited to STAR Ohio and repurchase agreements. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2002 amounted to \$211,321, which includes \$36,522 assigned from other District funds.

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2002. 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, 2002.

The District utilizes a trustee bank to hold monies set aside for current and future lease purchase principal and interest payments. The balances in these accounts are presented on the Combined Balance Sheet as "Restricted Cash and Cash Equivalents with Trustees" for investments in money market accounts.

PERRY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For purposes of the combined statement of cash flows and for presentation of the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash and cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

D. Receivables

Receivables are reflected at their gross value reduced by the estimated amount that is expected to be uncollectible.

E. Estimates

The preparation of the 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 could differ from those estimates.

F. Interfund Assets/Liabilities

Short-term interfund loans are classified as “interfund receivables” and “interfund payables.”

G. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

H. Fixed Assets and Depreciation

Fixed assets used in governmental fund types of the District are recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. The District does not possess any infrastructure.

PERRY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed assets which are used in proprietary fund type activities are capitalized in the respective funds. Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at estimated fair market value when received, based on historical information available. Depreciation is computed using the straight-line method based on the estimated life of assets. Estimated useful lives of the various classes of depreciable assets consist of: furniture and equipment - 5 years. The capitalization threshold is \$500.

I. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

Under Ohio law, a debt service fund may be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles requires the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

J. Bond Premiums and Discounts

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as an other financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. There were no bond premiums or discounts during this fiscal year.



PERRY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

L. Compensated Absences

The District reports compensated absences in accordance with GASB Statement No. 16, "Accounting for Compensated Absences."

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer 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. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit.

The entire estimated amount of unpaid compensated absences, including sick pay and vacation pay, of proprietary type funds is reflected as a liability in the respective funds. The current portion of unpaid compensated absences for sick leave related to governmental fund type operations is reflected in the respective funds. For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group.

M. Fund Balance Reserves and Designations

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balances indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventory and debt service. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

PERRY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables when eligibility requirements are satisfied and revenues when available. Reimbursement type grants are recorded as receivables when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The District currently participates in several state and federal programs, categorized as follows:

Entitlements

*General Fund:*

State Foundation Program  
State Property Tax Relief  
School Bus Purchase Allowance

Non-Reimbursable Grants

*Special Revenue Funds:*

Auxiliary Services  
Education Management Information Systems  
Eisenhower Grant  
Title I  
Title VI  
Title VI-B  
Title VI-R  
Ohio Reads Grant  
Drug-Free Schools  
Career Development Grant  
Data Communications Subsidy  
Schoolnet Professional Development Grant  
Safe School Helpline  
Vocational Education Grant  
Federal Teachers Mini Grant  
Early Childhood Preschool  
Schoolnet Literacy Challenge Grant

*Capital Projects Fund:*

Network Connectivity  
Schoolnet

PERRY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reimbursable Grants

*General Fund:*

Driver Education  
Telecommunications Act Grant

*Special Revenue Fund:*

E-Rate  
Assistive Tech Grant

*Capital Projects Fund:*

Vocational Education Equipment Fund

*Enterprise Funds:*

National School Lunch Program  
Government Donated Commodities  
Lunch and Breakfast Subsidy

Grants and entitlements amounted to approximately 41% of the District's operating revenue during the 2002 fiscal year.

O. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3: BUDGETARY PROCESS

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit a proposed operating budget to the Board of Education. A budget of estimated revenue and expenditures is submitted to the Stark County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the ensuing July 1 to June 30 fiscal year.

PERRY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

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NOTE 3: BUDGETARY PROCESS (Continued)

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by March 1. As part of the certification, the District receives the official Certificate of Estimated Resources which states projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the Certificate of Estimated Resources is amended to include any unencumbered balances from the preceding year. The Certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. Budget receipts, as shown in the accompanying "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (NonGAAP Basis) and Actual - All Governmental Fund Types and Expendable Trust Funds" do not include July 1, 2001 unencumbered fund balances. However, those fund balances are available for appropriations.

Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual Appropriation Resolution must be passed by October 1 of each year for the period July 1 to June 30. The Appropriation Resolution fixes spending authority at the fund and function level and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified.

The allocation of appropriations among functions within a fund may be modified during the year by the treasurer. Several supplemental appropriation resolutions were legally enacted by the Board of Education during the year. The budget figures, as shown in the accompanying "Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (NonGAAP Basis) - All Governmental Fund Types and Expendable Trust Funds" represent the final appropriation amounts including all amendments and modifications.

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective funds from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

PERRY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

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NOTE 3: BUDGETARY PROCESS (Continued)

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the generally accepted accounting principles (GAAP) basis, encumbrances outstanding at year-end for governmental funds are reported as reservations of fund balance for subsequent year expenditures.

Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balances on the GAAP basis, the budgetary basis, as provided by law, is based upon accounting for transactions on a basis of cash receipts, disbursements, and encumbrances. Accordingly, the "Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (NonGAAP Basis) - All Governmental Fund Types and Expendable Trust Funds" is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with state statute. The major differences between the budget basis and GAAP basis are that:

- 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) rather than when the liability is incurred (GAAP basis).
- 3) Encumbrances are treated as expenditure/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types.
- 4) Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
- 5) The District repays debt from the debt service fund (budget non-GAAP basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

PERRY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

NOTE 3: BUDGETARY PROCESS (Continued)

The adjustments necessary to convert the results of operations for the year from the budget basis to the GAAP basis for the governmental fund types follow:

Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures  
and Other Sources (Uses) Reconciliation of Budget Basis to GAAP Basis

	General Fund	Special Revenue Funds	Capital Projects Funds	Expendable Trust Fund
Budgetary Basis	\$ 1,582,222	\$ (112,005)	\$ 538,878	\$ (621)
Encumbrances	805,013	63,933	284,179	75
Revenue accruals	(294,603)	(49,045)	3,430	2,155
Expenditure accruals	211,105	154,835	(19,378)	65
GAAP Basis	<u>\$ 2,303,737</u>	<u>\$ 57,718</u>	<u>\$ 807,109</u>	<u>\$ 1,674</u>

NOTE 4: ACCOUNTABILITY

At June 30, 2002, the Food Service & Community Enterprise Funds had a deficit retained earnings of \$(211,314) and \$(256), respectively, which was created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances of other funds; however, this is done when cash is needed rather than when accruals occur.

NOTE 5: DEPOSITS AND INVESTMENTS

State statues classify monies held by the District into three categories.

Active monies are public deposits necessary to meet the demands on the treasury. Such monies must be maintained either as cash in the District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order or withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those 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.

PERRY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

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NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

Interim monies may 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 or 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 any 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; and
- 6) The State Treasurer's Investment Pool (STAR Ohio).

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institutions as security for repayment, by surely company bonds deposited with the District by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited within the institution.

PERRY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

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 District or, if the securities are not represented by certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

At year-end, the carrying amount of the District's deposits was \$58,426, which includes \$500 cash on hand, and the bank balance was \$958,133. Of the bank balance:

1. \$200,000 was covered by federal depository insurance.
2. \$2,578 was collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
3. \$755,555 was uninsured and uncollateralized. Although the pledging bank has an investment and securities pool used to collateralize all public deposits which are held in the financial institution's name, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Investments

GASB Statement No. 3 entitled "Deposits with Financial Institutions, Investors (including Repurchase Agreements), and Reverse Repurchase Agreements" requires the District to categorize investments to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The carrying value of deposits and investments are presented in the combined balance sheet as equity in pooled cash and cash equivalents. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	<u>Category 3</u>	<u>Fair Value</u>
Repurchase Agreements	\$ 885,000	\$ 885,000
STAROhio		<u>8,708,903</u>
Total		<u>\$ 9,593,903</u>



PERRY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

The classification of cash and cash equivalents on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classification of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$ 9,652,329	\$ 0
Investments which are part of cash management pool:		
STAROhio	(8,708,903)	8,708,903
Repurchase Agreement	<u>(885,000)</u>	<u>885,000</u>
 GASB Statement No. 3	 <u>\$ 58,426</u>	 <u>\$ 9,593,903</u>

NOTE 6: PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the 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 located in the District. Property tax revenue received during calendar year 2002 for real and public utility property taxes represent collections of calendar year 2001 taxes. Property tax payments received during calendar year 2002 for tangible personal property (other than public utility property) is for calendar year 2002 taxes.

2002 real property taxes are levied after April 1, 2002 on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2002, and are collected in 2003 with real property taxes.

PERRY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

NOTE 6: PROPERTY TAXES (Continued)

2002 tangible personal property taxes are levied after April 1, 2001 on the values as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which the fiscal year 2002 taxes were collected are:

	2001		2002	
	Second-Half Collections		First-Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and other real estate	\$ 359,875,290	61%	\$ 360,539,450	62%
Commercial Industrial	102,192,840	17%	101,939,060	17%
Tangible Personal Property	106,307,075	18%	101,701,573	17%
Personal Public Utility	<u>21,068,580</u>	<u>4%</u>	<u>20,963,600</u>	<u>4%</u>
Total Assessed Value	<u>\$ 589,443,785</u>	<u>100%</u>	<u>\$ 585,143,683</u>	<u>100%</u>
Tax rate per \$1,000 of assessed value		<u>\$ 49.70</u>		<u>\$ 49.70</u>

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 later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. 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.

The District receives property taxes from Stark County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002 are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

PERRY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

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NOTE 6: PROPERTY TAXES (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including Perry Local School District. The County Auditor periodically remits to the District its portion of taxes. Accrued property taxes receivable represent delinquent taxes outstanding, the late settlement of personal property taxes and real property, personal property and public utility taxes which became measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available to the District as an advance at June 30, 2002 was \$377,370.

NOTE 7: RECEIVABLES

Receivables at June 30, 2002 consisted of taxes, accounts (customer services and student fees), 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 year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

Special Revenue Funds:

Eisenhower	\$	1,696
Title VI-B		1,440
Title I		47,364
Drug Free Schools		3,903
Early Childhood Preschool		1,361
CAFS Reimbursement		<u>2,671</u>
		58,435

Enterprise Funds:

Lunch and Breakfast Subsidy		<u>37,196</u>
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Total Intergovernmental Receivable	\$	<u><u>95,631</u></u>
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PERRY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

NOTE 8: FIXED ASSETS AND DEPRECIATION

A. General Fixed Assets Account Group

The changes in general fixed assets during the year consisted of:

	Balance <u>July 1, 2001</u>	Additions	Disposals	Balance <u>June 30, 2002</u>
Land	\$ 310,549	\$ 440,399	\$ 0	\$ 750,948
Buildings and improvements	21,013,757	1,476,252	(14,851)	22,475,158
Furniture & equipment	5,748,697	812,945	(581,591)	5,980,051
Vehicles	2,270,342	214,121	(132,074)	2,352,389
Construction in progress	181,039	0	(181,039)	0
Totals	<u>\$ 29,524,384</u>	<u>\$ 2,943,717</u>	<u>\$ (909,555)</u>	<u>\$ 31,558,546</u>

B. Proprietary Fund Type Fixed Assets

Proprietary fund type fixed assets and accumulated depreciation at year-end consisted of:

<u>Enterprise</u>	<u>June 30, 2002</u>
Equipment	\$ 282,466
Less: Accumulated Depreciation	<u>(264,358)</u>
Net Fixed Assets	<u>\$ 18,108</u>

PERRY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

NOTE 9: GENERAL LONG-TERM OBLIGATIONS

The changes in the District's general long-term obligations during the fiscal year 2002 were as follows:

	<u>Balance July 1, 2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2002</u>
Energy Conservation Loan, 5.65-5.95% interest rate maturing December 2002	\$ 370,000	\$ 0	\$ (180,000)	\$ 190,000
State Operating Loan, 5.69% interest rate, maturing June 2006	894,960	0	(894,960)	0
Capital Leases	991,564	0	(121,564)	870,000
Intergovernmental Payable	198,021	200,912	(198,021)	200,912
Compensated Absences	<u>2,738,899</u>	<u>29,276</u>	<u>0</u>	<u>2,768,175</u>
Total General Long-Term Obligations	<u>\$ 5,193,444</u>	<u>\$ 230,188</u>	<u>\$ (1,394,545)</u>	<u>\$ 4,029,087</u>

Energy conservation loans are direct obligations of the District for which its full faith, credit and resources are pledged. Proceeds from the loans were used for energy conservation improvements to school buildings.

The state operating loan is a direct obligation of the District for which its full faith, credit and resources are pledged. Although this obligation matures in June 2006, the District has been paying principal amounts in addition to the required payments. As a result, the District did pay off the balance of the debt in fiscal year 2002. Proceeds from the loan were used for general government operations.

The District's overall legal debt margin was \$52,472,931 at June 30, 2002.

The annual requirement to amortize all notes outstanding as of June 30, 2002 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30, 2003	<u>\$ 190,000</u>	<u>\$ 5,652</u>	<u>\$ 195,652</u>

PERRY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 JUNE 30, 2002

NOTE 10: CAPITAL LEASES

In prior years the District entered into a lease purchase agreement for a new science wing and a computer lease. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The science wing construction costs was 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.

The general fixed assets acquired by the leases have been capitalized in the general fixed assets account group in the amount of \$1,266,800. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group and is recorded for each required principal payment.

The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2002:

	<u>Science Wing</u>
Year ending June 30, 2003	\$ 127,725
2004	127,981
2005	127,950
2006	127,631
2007	127,025
2008-2010	<u>461,688</u>
	1,100,000
Less: Amount representing interest	<u>230,000</u>
Present value of minimum lease payments	<u>\$ 870,000</u>

PERRY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

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NOTE 11: DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-0490.

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 9.5% was the portion to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001 and 2000 were \$2,421,696, \$2,288,568 and \$2,254,980, respectively; 82.8% has been contributed for fiscal year 2002 and 100% for fiscal years 2001 and 2000. \$417,024, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

B. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215, or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by SERS Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001 and 2000 were \$570,702, \$531,054 and \$504,780, respectively; 48.3% has been contributed for fiscal year 2002 and 100% for fiscal years 2001 and 2000. \$294,768, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

PERRY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

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NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)

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, 2002, two members of the Board of Education have elected social security. The Board's liability is 6.2% of wages paid.

NOTE 12: POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. Through June 30, 2002, the Board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$735,611 during fiscal 2002.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.256 million at June 30, 2001 (the most current information available). For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

For this fiscal year, employer contributions to fund health care benefits were 9.8% of covered payroll, an increase from 8.45% for fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay had been established at \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.



PERRY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

NOTE 12: POST EMPLOYMENT BENEFITS (Continued)

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2001 (the most current information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001 SERS had net assets available for payment of health care benefits of \$315.7 million. SERS had approximately 50,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including the surcharge, equaled \$95,049 during the 2002 fiscal year.

NOTE 13: NON-CASH TRANSACTIONS

The District receives food commodities for its food service obligations. The revenue recognized in grant income from the non-cash commodities was \$135,027.

NOTE 14: INTERFUND ACTIVITY

As of June 30, 2002, receivables and payables that resulted from various interfund transactions were as follows:

<u>Fund Type/Fund</u>	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 40,000	\$ 0
Enterprise Fund:		
Food Service	0	37,000
Community – Summer Swimming	<u>0</u>	<u>3,000</u>
Total all funds	<u>\$ 40,000</u>	<u>\$ 40,000</u>

PERRY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

NOTE 15: STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2002, the reserve activity was as follows:

	<u>Textbook Reserve</u>	<u>Capital Acquisition</u>	<u>BWC Refund</u>
Set-aside balance as of June 30, 2002	\$ 0	\$ 0	\$ 161,775
Current year set-aside requirement	553,609	553,609	0
Current year offsets	0	0	0
Current year qualifying disbursements	(974,063)	(2,698,880)	(161,775)
Prior year qualifying disbursements	<u>(96,990)</u>	<u>0</u>	<u>0</u>
Total	<u>\$ (517,444)</u>	<u>\$ (2,145,271)</u>	<u>\$ 0</u>
Balance carried forward to FY 2003	<u>\$ (517,444)</u>	<u>\$ 0</u>	<u>\$ 0</u>
Cash balance carried forward to FY 2003	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Effective April 10, 2002, the Ohio legislature passed Am. Sub. Senate Bill 345, that addressed H.B. 412 set-aside requirements. The requirement for establishment of a budget reserve set-aside has been deleted from the law. A district may still establish a reserve, if it so chooses; however, the requirement is no longer mandatory. Monies in the budget reserve set-aside as of April 10, 2002 are classified in two categories: (1) Bureau of Workers' Compensation (BWC) refunds and (2) the balance of the reserve which does not represent BWC refunds. The statute includes specific purposes for which the monies representing BWC refunds can be used. The monies which do not represent BWC refunds may be left in the budget reserve set-aside, or returned to the General fund and used at the discretion of the of the District's Board of Education. The entire BWC refund balance at the beginning of the year was expended on capital improvements in the current year.

The District had qualifying disbursements during the year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirements for future years.

PERRY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

NOTE 15: STATUTORY RESERVES (Continued)

Although the District had offsets and qualifying disbursements during the year that reduced the capital acquisition set-aside amount below zero, this extra amount may not be used to reduce the set-aside requirement for future years.

NOTE 16: SEGMENT INFORMATION

The District maintains enterprise funds to account for the operation of food service, uniform school supplies, rotary, adult education and community. The table below reflects the more significant financial data relating to the enterprise funds of the District as of and for the fiscal year ended June 30, 2002:

	Food Service	Uniform School Supplies	Rotary	Adult Education	Community	Total
Operating Revenues	\$ 924,739	\$ 37,052	\$ 18,025	\$ 19,227	\$ 25,138	\$ 1,024,181
Operating Expenses	1,427,886	37,740	17,185	27,495	29,562	1,539,868
Depreciation Expense	2,443	0	0	0	0	2,443
Operating Income (Loss)	(505,590)	(688)	840	(8,268)	(4,424)	(518,130)
Donated Commodities	135,027	0	0	0	0	135,027
Nonoperating Grants	347,929	0	0	0	0	347,929
Interest	512	0	0	0	0	512
Loss on Disposal of						
Fixed Assets	(4,628)	0	0	0	0	(4,628)
Transfers In	6,300	0	0	0	500	6,800
Net Income (Loss)	(20,450)	(688)	840	(8,268)	(3,924)	(32,490)
Net Working Capital	(170,373)	11,716	13,378	15,683	(256)	(129,852)
Total Assets	60,063	11,716	13,378	15,683	9,033	109,873
Total Equity	(211,314)	11,716	13,378	15,683	(256)	(170,793)

PERRY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

NOTE 17: CONTRACTUAL COMMITMENTS

As of June 30, 2002, the District had contractual commitments for the following projects:

	<u>Contractual Commitment</u>	<u>Expended</u>	<u>Balance 6/30/02</u>
High School Paving	\$ 200,200	\$ 0	\$ 200,200
High School & Middle School Roof Project	157,635	0	157,635
Canton Floors-Carpeting	80,111	0	80,111
Outdoor Aluminum-Grandstand & Bleachers	441,714	110,176	331,538
Southeast Recreation-Running Track Surface	84,000	77,280	6,720
Glick Excavating-Waste Water System	<u>98,683</u>	<u>74,910</u>	<u>23,773</u>
Totals	<u>\$ 1,062,343</u>	<u>\$ 262,366</u>	<u>\$ 799,977</u>

Accounts expended were capitalized directly into buildings and improvements.

NOTES 18: RISK MANAGEMENT

A. General Insurance

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

B. Fidelity Bond

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

PERRY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

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NOTES 18: RISK MANAGEMENT (Continued)

C. Workers' Compensation

For fiscal year 2002, the District participated in the CompManagement Workers Compensation Group Rating Plan, an insurance purchasing pool (Note 19). The intent of the Plan is to achieve the benefit of a reduced premium for the 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. Risk Sharing Pool

The District has contracted with Stark County Schools Council of Governments (the "Council") 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 District by grouping with other members of the Health Benefits Program. The experience of all participating districts is calculated as one and a common premium rate is applied to all member districts.

Rates are set through an annual calculation process. The 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 2002 the District's and the employee's premiums were \$489.42 and \$54.40 for family coverage and \$201.46 and \$22.40 for single coverage per employee per month, respectively. Dental insurance is also provided by the District to qualified employees through the Stark County Schools Council of Governments. For fiscal year 2002, the District's cost was \$70.12 for family coverage and \$28.43 for single coverage per employee per month. Claims are paid for all participants regardless of claims flow. Upon termination, all District claims would be paid without regard to the District's account balance. The Stark County Schools Council of Government Board of Directors has the right to return monies to an existing school district subsequent to the settlement of all expenses and claims.

PERRY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

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NOTES 18: RISK MANAGEMENT (Continued)

The 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 \$50,000 depending on the daily hours worked by the employee.

NOTE 19: JOINTLY GOVERNED ORGANIZATIONS

A. Stark Portage Area Computer Consortium

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 District paid \$63,810 to SPARCC during the fiscal year 2002. The Stark County Educational Service Center is the fiscal agent of SPARCC. Financial information can be obtained by writing to the Stark County Educational Service Center, 2100 38<sup>th</sup> Street NW, Canton, OH 44709-2300.

B. Public Entity Risk Pools

The 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.

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. Financial information can be obtained by writing to the Stark County Educational Service Center, 2100 38<sup>th</sup> Street NW, Canton, OH 44709.

PERRY LOCAL SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

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NOTE 20: CONTINGENCIES

A. Grants

The 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 District at June 30, 2002.

B. Litigation

The District is party to various legal proceedings. The District's management 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 statements or on the financial condition of the District.

NOTE 21: STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2002, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

As of the date of these financial statements, the District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

December 16, 2002

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

Independent Auditor's Report on Compliance and Internal Control  
Over Financial Reporting Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards

We have audited the financial statements of Perry Local School District (the "District") as of and for the year ended June 30, 2002, and have issued our report thereon dated December 16, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control structure over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

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

*Rea & Associates, Inc.*



# Rea & Associates, Inc.

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ACCOUNTANTS AND BUSINESS CONSULTANTS

December 16, 2002

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

Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and Internal Control  
Over Compliance in Accordance with OMB Circular A-133

Compliance

We have audited the compliance of Perry Local School District (the "District") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2002. The District's major federal program is identified in the "summary of auditor's results" section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Perry Local School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Perry Local School District  
Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and Internal Control  
Over Compliance in Accordance with OMB Circular A-133  
December 16, 2002  
Page 2

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the general purpose financial statements of Perry Local School District as of and for the year ended June 30, 2002, and have issued our report thereon dated December 16, 2002. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

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

*Rea & Associates, Inc.*

PERRY LOCAL SCHOOL DISTRICT  
STARK COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2002

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	CFDA NUMBER	GRANT NUMBER	FEDERAL RECEIPTS	NON-CASH RECEIPTS	FEDERAL DISBURSEMENTS	NON-CASH DISBURSEMENTS
U.S. DEPARTMENT OF EDUCATION						
Passed through Ohio Department of Education						
Title I, Part A	84.010	C1S1 - 2001	\$ 8,844		\$ 60,262	
Elementary and Secondary Education Act		C1S1 - 2002	279,382		230,995	
Total Title I			<u>288,226</u>		<u>291,257</u>	
Special Education Cluster:						
Special Education Grants to States	84.027	6BSF - 2001 - P	12,824		42,681	
		6BSF - 2002 - P	400,839		334,323	
Special Education - Preschool Grants	84.173	PGS1 - 2002 - P	24,155		24,155	
Total Special Education Cluster			<u>437,818</u>		<u>401,159</u>	
Title VI Ed Improve & Consol						
	84.298	C2S1 - 2000	4,115		6,228	
		C2S1 - 2001	7,042		5,599	
		C2S1 - 2002	28,758		23,007	
Total Title VI			<u>39,915</u>		<u>34,834</u>	
Eisenhower Professional Development						
	84.281	MSS1 - 2001	1,638		12,612	
		MSS1 - 2002	17,318		5,827	
Total Eisenhower Professional Development			<u>18,956</u>		<u>18,439</u>	
Title VI R Class Reduction						
	84.340	CRS1 - 2002	101,584		95,176	
Vocational Education Basic Grant						
	84.048	20C1 - 2001	8,546		8,546	
Safe, Drug-Free Schools & Communities Act Grant						
	84.186	DRS1 - 2001	1,958		6,138	
		DRS1 - 2002	13,408		11,721	
Total Safe, Drug-Free Schools			<u>15,366</u>		<u>17,859</u>	
Technology Literacy Challenge Fund Grant						
	84.318	TF51 - 2001	150,000		248,750	
		TF52 - 2001	75,000		0	
		TF53 - 2001	25,000		0	
Total Technology Literacy Challenge Fund Grant			<u>250,000</u>		<u>248,750</u>	
Assistive Technology						
	84.352	ATS1 - 2002	1,490		1,425	
Literature w/ Puppets Teacher						
	84.276	G2SP - 2001	2,000		1,928	
Total U. S. Department of Education			<u>1,163,901</u>		<u>1,119,373</u>	
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Passed through Ohio Department of Mental Retardation and Developmental Disabilities						
Medical Assistance Program (CAFS)	93.778	FY02	37,507		42,644	
U. S. DEPARTMENT OF AGRICULTURE						
Passed through Ohio Department of Education:						
Nutrition Cluster:						
Food Distribution Program	10.550	FY02		\$ 135,027		\$ 135,027
School Breakfast Program						
	10.553	05PU - 2001	2,046		2,046	
		05PU - 2002	12,505		12,505	
Total School Breakfast Program			<u>14,551</u>		<u>14,551</u>	
National School Lunch Program						
	10.555	LLP4 - 2001	47,700		47,700	
		LLP4 - 2002	269,485		269,485	
Total National School Lunch Program			<u>317,185</u>		<u>317,185</u>	
Special Milk Program						
	10.556	02PU - 2001	238		238	
		02PU - 2002	1,296		1,296	
Total Special Milk Program			<u>1,534</u>		<u>1,534</u>	
Total US Department of Agriculture - Nutrition Cluster			<u>333,270</u>	<u>135,027</u>	<u>333,270</u>	<u>135,027</u>
Total Federal Financial Assistance			<u>\$ 1,534,678</u>	<u>\$ 135,027</u>	<u>\$ 1,495,287</u>	<u>\$ 135,027</u>

See accompanying notes to the schedule of expenditures of federal awards

PERRY LOCAL SCHOOL DISTRICT  
STARK COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2002

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B: NUTRITION CLUSTER

Nonmonetary assistance is reported in the schedule of expenditures of federal awards at the fair market value of the commodities received and disbursed. At June 30, 2002, the School District had no significant food commodities inventory. Reimbursement moneys are commingled with local receipts and state grants. It is assumed federal moneys are expended first.

PERRY LOCAL SCHOOL DISTRICT  
STARK COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2002

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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A-133 Ref.  
.505(d)

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any reportable conditions reported for major programs which were not considered to be material?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510(a) of Circular A-133?	No
(d) (1) (vii)	Major Programs (list): Title I, Part A, ESEA and Technology Literacy Challenge Fund Grants	CFDA # 84.010 and CFDA # 84.318
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>NONE</b>	
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<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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<b>NONE</b>	
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**Auditor of State  
Betty Montgomery**

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800-282-0370

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**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 4, 2003**