

# **Perry Local School District**

## ***Audited Financial Statements***

***June 30, 2004***





**Auditor of State  
Betty Montgomery**

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, 2003 through June 30, 2004. 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

March 25, 2005

**This Page is Intentionally Left Blank.**

**PERRY LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**JUNE 30, 2004**

*Table of Contents*

	<i>Page</i>
Independent Auditor's Report.....	1-2
Management's Discussion and Analysis.....	3-10
Government-Wide Financial Statements:	
Statement of Net Assets .....	11
Statement of Activities.....	12-13
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	14
Reconciliation of Total Governmental Fund Balances to Net Assets Governmental Activities .....	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	16
Reconciliation of the Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund.....	18
Statement of Fiduciary Net Assets – Fiduciary Funds.....	19
Notes to the Basic Financial Statements .....	20-44
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards .....	45-46
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.....	47-48
Schedule of Expenditures of Federal Awards .....	49
Notes to Schedule of Expenditures of Federal Awards .....	50
Schedule of Findings & Questioned Costs.....	51

**This Page is Intentionally Left Blank.**



# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

February 11, 2005

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

## **Independent Auditor's Report**

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Perry Local School District (the "School District"), Stark County, Ohio as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Perry Panther Digital Academy, the School District's only discretely presented component unit. Other auditors audited those financial statements. They have furnished their report thereon to us, and we base our opinion, insofar as it relates to the amounts included for Perry Panther Digital Academy, on the report of the other auditors.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Perry Local School District, Stark County, Ohio as of June 30, 2004, and the respective changes in financial position, and the respective budgetary comparison for the General Fund thereof 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 February 11, 2005, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

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

*Hea & Associates, Inc.*



**Perry Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
(Unaudited)

---

The discussion and analysis of the Perry Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance. The financial statements of the component unit are issued as a separate report and are available by contacting the Perry Panther Digital Academy.

***Financial Highlights***

Key financial highlights for 2004 are as follows:

- q General Revenues accounted for \$36.5 million in revenue or 85% of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$6.2 million or 15% of total revenues of \$42.7 million.
- q Total program expenses were \$39 million in governmental activities.
- q In total, net assets increased \$3.5 million, which represents a 16% increase from 2003.

***Using this Annual***

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

The *Statement of Net Assets and Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Perry Local School District, the general fund is by far the most significant fund.

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

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**Perry Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
(Unaudited)

---

These two statements report the School District's *net assets* and *changes in those assets*. This change in net assets is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, all of the School District's activities are classified as governmental. All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities as well as food services.

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

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 14. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the permanent improvement capital projects fund.

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

**Perry Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
(Unaudited)

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2004 compared to 2003:

**(Table 1)**  
**Net Assets**

	Governmental Activities	
	2004	2003
<b>Assets</b>		
Current and Other Assets	\$ 37,209,138	\$ 35,907,213
Capital Assets	19,136,271	16,549,959
Total Assets	56,345,409	52,457,172
<b>Liabilities</b>		
Long-Term Liabilities	4,153,166	3,943,614
Other Liabilities	26,947,669	26,778,545
Total Liabilities	31,100,835	30,722,159
<b>Net Assets</b>		
Invested in Capital		
Assets Net of Debt	18,431,271	16,549,959
Restricted	3,416,753	4,425,051
Unrestricted (Deficit)	3,396,550	760,003
Total Net Assets	\$ 25,244,574	\$ 21,735,013

Total assets increased by \$3.9 million. An increase of approximately \$2.6 in total capital assets reflects additional purchases exceeding depreciation and was the majority of the increase in governmental assets. Total liabilities increased by \$378,676. This increase was primarily the result of increased compensated absences.

**Perry Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*(Unaudited)*

Table 2 shows the changes in net assets for fiscal year 2004. This table presents two fiscal years in side-by-side comparisons in successive reporting years. This will enable the reader to draw further conclusion about the District's financial status and possibly project future problems.

**(Table 2)**  
**Governmental Activities**

	Governmental Activities	Governmental Activities
	2004	2003
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for Services	\$ 3,215,448	\$ 3,023,667
Operating Grants	3,025,404	2,583,147
<i>General Revenues:</i>		
Property Taxes	20,323,272	21,129,265
Grants and Entitlements	15,538,205	14,595,094
Other	596,206	817,207
<b>Total Revenues</b>	<b>42,698,535</b>	<b>42,148,380</b>
<b>Program Expenses</b>		
Instruction	23,295,698	21,688,141
Support Services	12,913,605	13,210,551
Operation of Non-Instructional	1,996,332	1,898,843
Extracurricular Activities	939,943	889,526
Capital Outlay	0	952,898
Interest and Fiscal Charges	43,396	53,815
<b>Total Expenses</b>	<b>39,188,974</b>	<b>38,693,774</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 3,509,561</b>	<b>\$ 3,454,606</b>

**Perry Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
(Unaudited)

**Governmental Activities**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. All governmental funds had total revenues of \$42.7 million and expenditures of \$39.2 million.

**(Table 3)**  
**Governmental Activities**  
**Cost of Services**

	2004		2003	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 23,295,698	\$ 20,959,840	\$ 21,688,141	\$ 19,137,480
Support Services:				
Pupil and Instructional Staff	4,071,162	2,900,841	3,915,754	3,056,957
Board of Education, Administration and Fiscal	3,385,750	3,159,702	3,601,650	3,534,403
Operation and Maintenance of Plant	3,154,375	2,833,799	3,531,920	3,455,695
Pupil Transportation	1,996,395	1,895,564	1,928,123	1,924,726
Central	305,923	246,042	233,104	209,395
Operation of Non-Instructional Extracurricular Activities	1,996,332	233,815	1,898,843	112,126
Capital Outlay	0	0	952,898	952,898
Interest and Fiscal Charges	43,396	43,396	53,815	53,815
<b>Total Expenses</b>	<b>\$ 39,188,974</b>	<b>\$ 32,948,122</b>	<b>\$ 38,693,774</b>	<b>\$ 33,086,960</b>

Instruction and student support services comprise 70% of governmental program expenses. Interest/fiscal charges were less than 1%. Interest expense was attributable to the outstanding loans, and fiscal expenses include payments to the County Auditor for administrative fees. Pupil transportation and the operation and maintenance of facilities accounts for 13% of governmental program expenses.

The dependence upon tax revenues for governmental activities is apparent. The community, as a whole, is by far the primary support for Perry Local School District students.

**Perry Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*(Unaudited)*

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2004, the School District amended its general fund budget numerous times. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management

For the general fund, budget basis revenue was \$37.6 million, compared to the original budget estimates of \$37 million. Of this \$600,000 increase, most was attributable to an increase in intergovernmental revenue.

Budget basis expenditures of \$35.1 million were \$4 million less than the \$39.1 million in the original budget. Capital outlay expense was less than anticipated

***Capital Assets and Debt Administration***

**Capital Assets**

At the end of fiscal year 2004, the School District had \$19 million invested in land, buildings, equipment and vehicles. Table 4 shows fiscal year 2004 balances compared with 2003.

**(Table 4)**  
**Capital Assets at June 30**  
**(Net of Depreciation)**

	Governmental Activities	
	2004	2003
Land and Improvements	\$ 811,639	\$ 762,358
Buildings and Building		
Improvements	16,359,766	13,409,583
Furniture and Equipment	493,046	414,420
Vehicles	1,471,820	1,529,454
Construction in Progress	0	434,144
Totals	\$ 19,136,271	\$ 16,549,959

The \$2.6 million increase in capital assets was attributable to additional purchases exceeding depreciation expense.

Ohio law requires school districts to set aside 3% of certain revenues for capital improvements and an additional 3% for textbooks. For fiscal year 2004, this amounted to \$667,043 for each set aside. For fiscal year 2004, the School District had qualifying disbursements or offsets exceeding these requirements. The School District has budgeted to meet these requirements.

**Perry Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
(Unaudited)

---

***Current Issues***

The Perry Local School District continues to receive strong support from the residents of the School District. As the preceding information shows, the School District relies heavily on its local property taxpayers. The last operating levy passed by the residents of the district was in November, 2004. The Board of Education anticipates the renewal levy will generate sufficient revenues for a period of 4 years with no substantial decreases in state funding or student enrollment.

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

Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 48% of revenues for governmental activities for the Perry Local School District in fiscal year 2004.

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

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

The Perry Local School District has not anticipated any meaningful growth in State revenue. The concern is that, to meet the requirements of the Court, the State may require redistribution of state funding based upon each district's property wealth. This could have a significant impact on the School District. Another School District concern will be the State Legislative approval of the biennial budget, effective July 1, 2005. How the legislature plans to fund education programs during a weakened economy remains a concern.

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

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

**Perry Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*(Unaudited)*

---

***Contacting the School District's Financial Management***

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Beth Winkhart, Treasurer of Perry Local School District, 4201 13<sup>th</sup> St. S.W., Massillon, OH 44646 or [winkhart@sparcc.org](mailto:winkhart@sparcc.org).



**Perry Local School District**  
*Statement of Net Assets*  
June 30, 2004

	Primary Government	Component Unit
	Governmental Activities	Perry Panther Digital Academy
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 12,600,132	\$ 63,779
Cash and Cash Equivalents in Segregated Accounts	102,507	0
Receivables:		
Taxes	24,164,882	0
Accounts	46,047	0
Intergovernmental	181,353	0
Prepaid Items	0	339
Inventory Held for Resale	38,808	0
Materials and Supplies Inventory	75,409	0
Depreciable Capital Assets (Net)	19,136,271	54,270
<i>Total Assets</i>	56,345,409	118,388
<b>Liabilities</b>		
Accounts Payable	92,548	8,185
Contracts Payable	87,416	0
Accrued Wages and Benefits	3,510,066	0
Intergovernmental Payable	1,110,539	0
Deferred Revenue	22,147,100	0
Long-Term Liabilities:		
Due Within One Year	185,670	0
Due in More Than One Year	3,967,496	0
<i>Total Liabilities</i>	31,100,835	8,185
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	18,431,271	54,270
Restricted for:		
Capital Projects	3,255,249	0
Debt Service	102,507	0
Other Purposes	58,997	8,520
Unrestricted	3,396,550	47,413
<i>Total Net Assets</i>	\$ 25,244,574	\$ 110,203

See accompanying notes to the basic financial statements.

**Perry Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2004

	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>
<b>Governmental Activities</b>			
Current:			
Instruction:			
Regular	\$ 17,325,360	\$ 867,044	\$ 555,302
Special	3,800,196	153,654	625,508
Vocational	2,142,073	132,138	2,212
Adult Continuing	28,069	0	0
Support Services:			
Pupils	2,515,348	110,819	546,077
Instructional Staff	1,555,814	74,290	439,135
Board of Education	128,241	6,350	0
Administration	2,607,401	122,714	63,304
Fiscal	650,108	31,751	1,929
Operation and Maintenance of Plant	3,154,375	169,399	151,177
Pupil Transportation	1,996,395	97,485	3,346
Central	305,923	13,254	46,627
Operation of Non-instructional Services	1,996,332	1,173,310	589,207
Extracurricular Activities	939,943	263,240	1,580
Interest and Fiscal Charges	43,396	0	0
<i>Total Governmental Activities</i>	<u>39,188,974</u>	<u>3,215,448</u>	<u>3,025,404</u>
<b>Component Unit</b>			
Perry Panther Digital Academy	<u>\$ 144,830</u>	<u>\$ 0</u>	<u>\$ 70,052</u>

**General Revenues**

Property Taxes Levied for:

General Purposes

Capital Outlay

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings

Miscellaneous

Gain on Sale of Capital Assets

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets	
Primary Government	Component Unit
Governmental Activities	Perry Panther Digital Academy
\$ (15,903,014)	\$ 0
(3,021,034)	0
(2,007,723)	0
(28,069)	0
(1,858,452)	0
(1,042,389)	0
(121,891)	0
(2,421,383)	0
(616,428)	0
(2,833,799)	0
(1,895,564)	0
(246,042)	0
(233,815)	0
(675,123)	0
(43,396)	0
(32,948,122)	0
0	(74,778)
19,520,628	0
802,644	0
15,538,205	115,466
143,220	0
451,141	12,283
1,845	0
36,457,683	127,749
3,509,561	52,971
21,735,013	57,232
\$ 25,244,574	\$ 110,203

**Perry Local School District**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2004*

	General	Permanent Improvement Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 8,852,792	\$ 3,173,559	\$ 573,781	\$ 12,600,132
Cash and Cash Equivalents in Segregated Accounts	102,507	0	0	102,507
Receivables:				
Taxes	23,238,322	926,560	0	24,164,882
Accounts	44,356	0	1,691	46,047
Interfund	48,000	0	0	48,000
Intergovernmental	0	0	181,353	181,353
Inventory Held For Resale	0	0	38,808	38,808
Materials and Supplies Inventory	70,220	0	5,189	75,409
<b>Total Assets</b>	<b>\$ 32,356,197</b>	<b>\$ 4,100,119</b>	<b>\$ 800,822</b>	<b>\$ 37,257,138</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 74,526	\$ 0	\$ 18,022	\$ 92,548
Contracts Payable	84,416	3,000	0	87,416
Accrued Wages and Benefits	3,184,105	0	325,961	3,510,066
Interfund Payable	0	0	48,000	48,000
Intergovernmental Payable	740,058	0	69,729	809,787
Deferred Revenue	21,868,552	864,680	0	22,733,232
<b>Total Liabilities</b>	<b>25,951,657</b>	<b>867,680</b>	<b>461,712</b>	<b>27,281,049</b>
<b>Fund Balances</b>				
Fund Balance:				
Reserved for Encumbrances	258,362	716	69,320	328,398
Reserved for Inventory	70,220	0	43,997	114,217
Reserved for Tax Revenue Unavailable for Appropriation	1,369,770	61,880	0	1,431,650
Reserved for Debt Services:				
Principal	102,507	0	0	102,507
Unreserved:				
Undesignated, Unreserved Reported in:				
General Fund	4,603,681	0	0	4,603,681
Special Revenue Funds	0	0	225,793	225,793
Capital Projects Funds	0	3,169,843	0	3,169,843
<b>Total Fund Balances</b>	<b>6,404,540</b>	<b>3,232,439</b>	<b>339,110</b>	<b>9,976,089</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 32,356,197</b>	<b>\$ 4,100,119</b>	<b>\$ 800,822</b>	<b>\$ 37,257,138</b>

See accompanying notes to the basic financial statements.

**Perry Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2004*

---



---

Total Governmental Fund Balances	\$	9,976,089
----------------------------------	----	-----------

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		19,136,271
--	--	------------

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.

Delinquent Property Taxes		586,132
---------------------------	--	---------

Intergovernmental payables include contractually required pension contributions which are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.		(300,752)
--	--	-----------

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

Compensated Absences	\$ (3,448,166)	
Capital Leases Payable	(705,000)	(4,153,166)

Net Assets of Governmental Activities	\$	<u>25,244,574</u>
---------------------------------------	----	-------------------

See accompanying notes to the basic financial statements.

**Perry Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2004*

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 19,674,559	\$ 806,491	\$ 0	\$ 20,481,050
Intergovernmental	15,538,205	94,834	2,938,920	18,571,959
Investment Income	141,511	0	1,709	143,220
Tuition and Fees	1,486,502	0	53,056	1,539,558
Extracurricular Activities	16,552	0	488,588	505,140
Rentals	192,829	0	3,433	196,262
Charges for Services	20,411	0	954,077	974,488
Contributions and Donations	3,297	0	90,353	93,650
Miscellaneous	340,452	0	17,039	357,491
<i>Total Revenues</i>	<u>37,414,318</u>	<u>901,325</u>	<u>4,547,175</u>	<u>42,862,818</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	16,394,066	0	589,706	16,983,772
Special	3,100,032	0	641,578	3,741,610
Vocational	2,063,291	0	8,244	2,071,535
Adult Continuing	0	0	28,069	28,069
Support Services:				
Pupils	2,021,770	0	451,594	2,473,364
Instructional Staff	888,735	0	579,129	1,467,864
Board of Education	128,247	0	0	128,247
Administration	2,447,939	0	61,396	2,509,335
Fiscal	631,586	0	1,928	633,514
Operation and Maintenance of Plant	3,376,712	0	108,668	3,485,380
Pupil Transportation	1,974,717	0	3,500	1,978,217
Central	258,499	0	44,956	303,455
Operation of Non-instructional Services	34,256	0	1,901,348	1,935,604
Extracurricular Activities	616,735	0	247,055	863,790
Capital Outlay	645,847	2,220,951	0	2,866,798
Debt Service:				
Principal Retirement	85,000	0	0	85,000
Interest and Fiscal Charges	43,396	0	0	43,396
<i>Total Expenditures</i>	<u>34,710,828</u>	<u>2,220,951</u>	<u>4,667,171</u>	<u>41,598,950</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	2,703,490	(1,319,626)	(119,996)	1,263,868
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	1,845	0	0	1,845
Transfers In	0	0	68,100	68,100
Transfers Out	(68,100)	0	0	(68,100)
<i>Total Financing Sources (Uses)</i>	<u>(66,255)</u>	<u>0</u>	<u>68,100</u>	<u>1,845</u>
<i>Net Change in Fund Balance</i>	2,637,235	(1,319,626)	(51,896)	1,265,713
<i>Fund Balances Beginning of Year</i>	<u>3,742,312</u>	<u>4,552,065</u>	<u>392,872</u>	<u>8,687,249</u>
<i>Increase (Decrease) in Reserve for Inventory</i>	24,993	0	(1,866)	23,127
<i>Fund Balances End of Year</i>	<u>\$ 6,404,540</u>	<u>\$ 3,232,439</u>	<u>\$ 339,110</u>	<u>\$ 9,976,089</u>

See accompanying notes to the basic financial statements.

**Perry Local School District**  
*Reconciliation of the Changes*  
*in Fund Balances of Governmental Funds to the Statement of Activities*  
*For the Fiscal Year Ended June 30, 2004*

---



---

Net Change in Fund Balances - Total Governmental Funds	\$	1,265,713
--	----	-----------

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

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

Capital Asset Additions	\$ 3,464,619	
Current Year Depreciation	<u>(727,945)</u>	2,736,674

Net effect of transactions involving sale of capital assets are not reflected in the funds		(150,362)
--	--	-----------

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

Grants	(8,350)	
Delinquent Property Taxes	<u>(157,778)</u>	(166,128)

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

Capital Leases		85,000
----------------	--	--------

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	(294,551)	
Pension Obligation	10,088	
Change in Inventory	<u>23,127</u>	<u>(261,336)</u>

Change in Net Assets of Governmental Activities	\$	<u><u>3,509,561</u></u>
---	----	-------------------------

See accompanying notes to the basic financial statements.

**Perry Local School District**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget (Non-GAAP Basis) and Actual  
 General Fund  
 For the Fiscal Year Ended June 30, 2004*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Taxes	\$ 20,247,500	\$ 19,730,319	\$ 19,724,579	\$ (5,740)
Intergovernmental	14,462,803	15,538,205	15,538,205	0
Investment Income	158,000	140,537	140,537	0
Tuition and Fees	1,412,000	1,490,157	1,490,157	0
Extracurricular Activities	18,000	16,552	16,552	0
Rentals	175,000	192,829	192,829	0
Charges for Services	10,000	20,411	20,411	0
Contributions and Donations	0	3,297	3,297	0
Miscellaneous	477,070	364,968	364,968	0
<i>Total Revenues</i>	<u>36,960,373</u>	<u>37,497,275</u>	<u>37,491,535</u>	<u>(5,740)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	16,589,327	16,287,764	16,287,764	0
Special	3,201,904	3,181,431	3,181,431	0
Vocational	2,276,878	2,047,582	2,047,582	0
Support Services:				
Pupils	2,034,850	2,013,063	2,013,063	0
Instructional Staff	943,014	894,657	894,657	0
Board of Education	145,737	127,440	127,440	0
Administration	2,592,242	2,488,688	2,488,688	0
Fiscal	745,781	683,968	683,968	0
Operation and Maintenance of Plant	3,517,216	3,552,561	3,552,561	0
Pupil Transportation	1,968,805	1,990,026	1,990,026	0
Central	348,288	255,239	255,239	0
Operation of Non-instructional Services	36,885	34,256	34,256	0
Extracurricular Activities	629,948	617,657	617,657	0
Capital Outlay	3,956,488	723,182	723,182	0
<i>Total Expenditures</i>	<u>38,987,363</u>	<u>34,897,514</u>	<u>34,897,514</u>	<u>0</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(2,026,990)</u>	<u>2,599,761</u>	<u>2,594,021</u>	<u>(5,740)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	0	1,845	1,845	0
Refund of Prior Year Expenditures	625	717	717	0
Advances In	100,000	100,000	100,000	0
Advances Out	(100,000)	(148,000)	(148,000)	0
Transfers Out	(50,000)	(68,100)	(68,100)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(49,375)</u>	<u>(113,538)</u>	<u>(113,538)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(2,076,365)</u>	<u>2,486,223</u>	<u>2,480,483</u>	<u>(5,740)</u>
<i>Fund Balance Beginning of Year</i>	5,743,789	5,743,789	5,743,789	0
Prior Year Encumbrances Appropriated	351,198	351,198	351,198	0
<i>Fund Balance End of Year</i>	<u>\$ 4,018,622</u>	<u>\$ 8,581,210</u>	<u>\$ 8,575,470</u>	<u>\$ (5,740)</u>

See accompanying notes to the basic financial statements.



**Perry Local School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Funds*  
*June 30, 2004*

---

---

	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 41,540</u>
<b>Liabilities</b>	
Accounts Payable	5,480
Due to Students	<u>36,060</u>
<i>Total Liabilities</i>	<u>\$ 41,540</u>

See accompanying notes to the basic financial statements.

## **PERRY LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

---

### **Note 1 – Description of School District**

The Perry Local School District (the “School District”) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a school district as defined by Section 3311.02 of the Ohio Revised Code. The School District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the School District. Average daily membership on, or as of October 1, 2003, was 4,850. The School District employs 338 certificated and 230 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 basic financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service and student related activities of the School District.

Components are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to, or can otherwise access, the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provides financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has one component unit, the Perry Panther Digital Academy (the “Academy”) (See Note 22). The School District appoints a voting majority of the Academy’s governing board.

Included with the reporting entity within the School 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 School District Treasurer, as directed by the school. The receipt and disbursement activity of these monies is reflected in a nonmajor fund.

The School 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 16.

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

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

The financial statements of School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the School District's accounting policies are described below.

**PERRY LOCAL SCHOOL DISTRICT**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

---

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

***A. Basis of Presentation***

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is also eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

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

***Fund Financial Statements*** During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

***B. Fund Accounting***

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

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

**PERRY LOCAL SCHOOL DISTRICT**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

---

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

**General Fund** The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Permanent Improvement Capital Projects Fund** The permanent improvement capital projects fund accounts for financial resources to be used for the acquisition, construction, or improvement of major capital facilities other than those financed by proprietary funds.

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

**Fiduciary Funds** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary funds are agency funds. The School District's agency funds account for student activities.

**C. Measurement Focus**

**Government-wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the Statement of Net Assets.

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

**D. Basis of Accounting**

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

**PERRY LOCAL SCHOOL DISTRICT**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

---

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

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

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

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

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

Current property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Delinquent property taxes deemed collectible have been recorded as revenue on the Statement of Activities and deferred revenue on the Balance Sheet. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

***Expenses/Expenditures*** On the accrual basis of accounting, 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.

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

**PERRY LOCAL SCHOOL DISTRICT**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

---

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

***E. Cash and Cash Equivalents***

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

During fiscal year 2004, investments were limited to STAROhio and repurchase agreements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

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, 2004. Certificates of deposit and repurchase agreements are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$141,511, which includes \$53,173 assigned from other School District funds.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as investments.

***F. Inventory***

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. 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.

***G. Restricted Assets***

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include amounts required by statute to be set-aside for the purchase of textbooks and other instructional material and to create a reserve for budget stabilization. See Note 19 for additional information regarding set asides.

**PERRY LOCAL SCHOOL DISTRICT**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

---

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

***H. Capital Assets***

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. All individual items costing \$5,000 or more with a useful life of 2 years or more are capitalized. Donated fixed assets are recorded at their fair market values as of the date received. School District maintains a capitalization threshold of five hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land Improvements	20-75 Years
Buildings and Improvements	20-75 Years
Furniture and Fixtures	5-30 Years
Equipment	4-10 Years
Vehicles	12-15 Years

***I. Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the statement of net assets.

***J. Compensated Absences***

The School District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

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

In governmental funds, the liability for unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources.

**PERRY LOCAL SCHOOL DISTRICT**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

---

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

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

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

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

***L. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

***M. Fund Balance Reserves***

The School District reserves those 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 appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund balance reserves are established for encumbrances, inventory of materials and supplies, property taxes, and debt.

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

***N. Interfund Activity***

Transfers between governmental funds on the government-wide statements are eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.



**PERRY LOCAL SCHOOL DISTRICT**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

---

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

***O. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2004.

***P. Estimates***

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

***Q. Budgetary Data***

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. All funds, other than agency funds, are legally required to be budgeted and appropriated. For all funds, the legal level of control was at the fund level. Budgetary modifications that change total fund appropriations may only be made by resolution of the Board of Education.

***Tax Budget*** Prior to January 15, the Superintendent and Treasurer submit to the Board a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the Stark County Budget Commission for rate determination.

***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 School District by March 1. As part of the certification, the School District receives the official certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget ensuring 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. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2004.

**PERRY LOCAL SCHOOL DISTRICT**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

---

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

**Appropriations** A temporary appropriations 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 legal level of control 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 total of expenditures and encumbrances may not exceed appropriations at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The amounts reported as the original budgeted amounts in the budgetary statements reflect the appropriation in the first complete appropriated budget, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

**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 non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On fund financial statements, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. A reserve for encumbrances is not reported on government-wide financial statements.

**Lapsing of Appropriations** At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated.

**Note 3 –Fund Deficits**

Fund balances at June 30, 2004 included the following individual fund deficits:

	<u>Deficit</u>
Non Major Funds:	
Food Service	\$ 82,529
Reducing Class Size	378
Summer Intervention	377

These deficits were created by the application of generally accepted accounting principles.

**PERRY LOCAL SCHOOL DISTRICT**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

---

**Note 4 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

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

**Net Change in Fund Balance**

	General
GAAP Basis	\$ 2,637,235
Net Adjustment for Revenue Accruals	77,934
Advance In	100,000
Advance Out	(148,000)
Net Adjustment for Expenditure Accruals	90,635
Adjustment for Encumbrances	(277,321)
Budget Basis	\$ 2,480,483

**PERRY LOCAL SCHOOL DISTRICT**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

---

**Note 5 - Deposits and Investments**

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

Interim monies to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

**PERRY LOCAL SCHOOL DISTRICT**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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

6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Cash on Hand** At year end, the School District had \$500 in undeposited cash on hand which is included on the balance sheet of the School District as part of equity in pooled cash and cash equivalents.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

**Deposits** At fiscal year-end, the carrying amount of the School District's deposits was \$(800,827), which includes \$500 cash on hand, and the bank balance of \$7,531 was covered by depository insurance; and

**Investments** GASB Statement No. 3 requires the School District's investments to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School 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 School District's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying Value	Fair Value
Repurchase Agreements	\$ 1,200,000	\$ 1,200,000	\$ 1,200,000
STAROhio	0	12,242,499	12,242,499
Treasury Money Market	0	102,507	102,507
<b>Totals</b>	<b>\$ 1,200,000</b>	<b>\$ 13,545,006</b>	<b>\$ 13,545,006</b>

**PERRY LOCAL SCHOOL DISTRICT**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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

The classification of cash and cash equivalents, and investments on the combined basic financial statements is based on criteria set forth in GASB Statement No. 9.

A reconciliation between the classifications of cash and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
<i>GASB Statement No. 9</i>	\$ 12,744,179	\$ 0
Investments which are part of a cash management pool:		
Repurchase Agreements	(1,200,000)	1,200,000
STAROhio	(12,242,499)	12,242,499
Treasury Money Market	(102,507)	102,507
<i>GASB Statement No. 3</i>	\$ (800,827)	\$ 13,545,006

**Note 6 - Property Taxes**

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

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the School District. Property tax revenue received during calendar 2004 for real and public utility property taxes represents collections of calendar 2003 taxes. Property tax payments received during calendar 2004 for tangible personal property (other than public utility property) is for calendar 2004 taxes.

2004 real property taxes are levied after April 1, 2004, on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% 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 35% of true value. 2004 public utility property taxes became a lien December 31, 2003, are levied after April 1, 2004 and are collected in 2004 with real property taxes.

2004 tangible personal property taxes are levied after April 1, 2003, on the value as of December 31, 2003. Collections are made in 2004. Tangible personal property assessments are 25% of true value.

**PERRY LOCAL SCHOOL DISTRICT**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second Half Collections		2004 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 359,557,630	62.57%	\$ 415,224,350	65.79%
Commercial Industrial	100,316,750	17.46%	111,501,240	17.67%
Tangible Personal Property	93,803,162	16.32%	82,456,022	13.07%
Personal Public Utility	20,963,600	3.65%	21,930,350	3.47%
	<u>\$574,641,142</u>	<u>100.00%</u>	<u>\$631,111,962</u>	<u>100.00%</u>
Tax rate per \$1,000 assessed valuation	<u>\$ 50.20</u>		<u>\$ 49.00</u>	

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits 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 semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The 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 School District its portion of taxes.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed settlement of personal property tax and the amount of real property taxes available as an advance at June 30 were levied 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 late settlement and the amount available as an advance at June 30 are recognized as revenue.

The amount available as an advance at June 30, 2004, was \$1,431,650 and is recognized as revenue. \$1,369,770 was available to the general fund and \$61,880 was available to the permanent improvement capital projects fund.

**PERRY LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

**Note 7 - Receivables**

Receivables at June 30, 2004 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:

Non Major Funds:	
IDEA B	\$ 13,846
Title V	3,942
Title I	57,215
Drug Free Schools	2,127
Preschool Handicapped	3,079
CAFS Reimbursement	33,339
Food Service	47,765
Title II Teacher Quality	<u>20,040</u>
Total Intergovernmental Receivable	<u>\$ 181,353</u>

**Note 8 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Balance 6/30/03	Additions	Reductions	Balance 6/30/04
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Construction in Progress	\$ 434,144	\$ 2,463,262	\$ (2,897,406)	\$ 0
<i>Capital Assets, being depreciated:</i>				
Land Improvements	834,068	95,137	(13,723)	915,482
Buildings and Improvements	22,591,428	3,400,497	0	25,991,925
Furniture and Equipment	766,875	142,278	(84,354)	824,799
Vehicles	2,417,426	274,574	(310,500)	2,381,500
Total Capital Assets, being depreciated	26,609,797	3,912,486	(408,577)	30,113,706
Less Accumulated Depreciation:				
Land Improvements	(71,710)	(32,133)	0	(103,843)
Buildings and Improvements	(9,181,845)	(450,314)	0	(9,632,159)
Furniture and Equipment	(352,455)	(44,485)	65,187	(331,753)
Vehicles	(887,972)	(201,013)	179,305	(909,680)
Total Accumulated Depreciation	(10,493,982)	(727,945)	244,492	(10,977,435)
Total Capital Assets being depreciated, net	16,115,815	3,184,541	(164,085)	19,136,271
Governmental Activities Capital Assets, Net	<u>\$ 16,549,959</u>	<u>\$ 5,647,803</u>	<u>\$ (3,061,491)</u>	<u>\$ 19,136,271</u>



**PERRY LOCAL SCHOOL DISTRICT**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

---

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

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 269,839
Special	53,672
Vocational	41,887
Support Services:	
Pupil	48,652
Instructional Staff	65,286
Administration	51,372
Fiscal	2,147
Operation and Maintenance of Plant	49,672
Pupil Transportaion	10,546
Operation of Non-Instructional Services	59,049
Extracurricular Activities	<u>75,823</u>
 Total Depreciation	 <u><u>\$ 727,945</u></u>

**Note 9 - Risk Management**

**A. General Insurance**

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

**B. Fidelity Bond**

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

**PERRY LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

---

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

***C. Workers' Compensation***

For fiscal year 2004, the School District participated in the CompManagement Workers Compensation Group Rating Plan, an insurance purchasing pool (Note 16). The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the group. The worker's compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the group. Each participant pays its worker's compensation premium to the State Bureau of Workers' Compensation based on the rate for the group rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the group. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the group. Participation in the Plan is limited to school districts that can meet the Plan selection criteria. The firm of CompManagement provides administrative, cost control and actuarial services to the group.

***D. Risk Sharing Pool***

The School 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 School District by grouping with other members of the Health Benefits Program. The experience of all participating districts is calculated as one and a common premium rate is applied to all member districts.

Rates are set through an annual calculation process. The School District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating districts. The employees share the cost of the monthly premium with the Board. For fiscal year 2004 the School District's and the employee's premiums were \$602.60 and \$66.96 for family coverage and \$248.06 and \$27.56 for single coverage per employee per month, respectively. Dental insurance is also provided by the School District to qualified employees through the Stark County Schools Council of Governments. For fiscal year 2004, the School District's cost was \$86.34 for family coverage and \$35.00 for single coverage per employee per month. Claims are paid for all participants regardless of claims flow. Upon termination, all School District claims would be paid without regard to the School District's account balance. The Stark County Schools Council of Government Board of Directors has the right to return monies to an existing school district subsequent to the settlement of all expenses and claims.

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

**PERRY LOCAL SCHOOL DISTRICT**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

---

**Note 10 - Other Employee Benefits**

***Compensated Absences***

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 290 days. Upon retirement, employees receive payment for 30% of the total sick leave accumulation, up to a maximum accumulation of 200 days.

**Note 11- Defined Benefit Pension Plans**

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

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement 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 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund health care benefits; for fiscal year 2004, 9.09 of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by SERS Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003 and 2002 were \$650,928, \$614,812 and \$570,702, respectively; 48% has been contributed for fiscal year 2004 and 100% for fiscal years 2003 and 2002. \$340,884, representing the unpaid contribution for fiscal year 2004, is recorded as a liability within the respective funds.

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

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

**PERRY LOCAL SCHOOL DISTRICT**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

---

**Note 11 - Defined Benefit Pension Plans (Continued)**

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

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

For the fiscal year ended June 30, 2004, plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14%; 13% 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 School District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2004, 2003 and 2002 were \$2,458,464, \$2,27,384 and \$2,421,696, respectively; 83% has been contributed for fiscal year 2004 and 100% for fiscal years 2003 and 2002. \$427,384, representing the unpaid contribution for fiscal year 2004, is recorded as a liability within the respective funds.

***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, 2004, two members of the Board of Education have elected social security. The Board's liability is 6.2% of wages paid.

**PERRY LOCAL SCHOOL DISTRICT**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

---

**Note 12 - Postemployment Benefits**

School 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 obligations to contribute are established by the systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

STRS Ohio provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. The STRS Ohio Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

The Revised Code grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses, and dependents. By Ohio law, health care benefits are not guaranteed and the cost of coverage paid from STRS Ohio funds shall be included in the employer contribution rate; currently 14% of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$175,605 during the 2004 fiscal year.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, the health care costs paid by STRS were \$268,739,000 and STRS had 118,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to 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.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year, ended June 30, 2004, employer contributions to fund health care benefits were 4.91% of covered payroll, a decrease of .92% from fiscal year 2003. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$344,546.

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. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS had approximately 62,000 participants currently receiving health care benefits.

**PERRY LOCAL SCHOOL DISTRICT**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

**Note 13 - Long - Term Obligations**

The changes in the School District's long-term obligations during the year consist of the following:

	Outstanding June 30, 2003	Additions	Reductions	Outstanding June 30, 2004	Amounts due in One Year
Capital Lease	\$ 790,000	\$ 0	\$ (85,000)	\$ 705,000	\$ 90,000
Compensated Absences	<u>3,153,614</u>	<u>294,552</u>	<u>0</u>	<u>3,448,166</u>	<u>95,670</u>
 Total General Long-Term Obligations	 <u>\$ 3,943,614</u>	 <u>\$ 294,552</u>	 <u>\$ (85,000)</u>	 <u>\$ 4,153,166</u>	 <u>\$ 185,670</u>

The School District's overall legal debt margin was \$56,800,077 at June 30, 2004.

**Note 14 - Capitalized Leases**

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

The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2004:

Year Ending June 30,	2005	2006	2007	2008	2009	2010	Science Wing
							\$ 127,950
							127,631
							127,025
							126,131
							129,807
							<u>205,750</u>
							844,294
Less: Amount representing interest							<u>139,294</u>
Present value of minimum lease payments							<u>\$ 705,000</u>

**PERRY LOCAL SCHOOL DISTRICT**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

---

**Note 15 – Deferred Revenue**

Deferred revenue at June 30, 2004 consisted of the following:

	Statement of Net Assets	Balance Sheet
Property Taxes Receivable	\$ 22,147,100	\$ 22,733,232

**Note 16 - Jointly Governed Organizations**

**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 School District paid \$66,452 to SPARCC during the fiscal year 2004. 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.

**Public Entity Risk Pools**

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

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 Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

---

**Note 17 - Insurance Purchasing Pool**

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**Note 18 – Contingencies**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the School District at June 30, 2004.

**B. Litigation**

The School District is party to various legal proceedings. The School 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 School District.



**PERRY LOCAL SCHOOL DISTRICT**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

**Note 19 - Set-Asides**

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

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

	Capital Improvement Reserve	Textbook Instructional Materials Reserve	Total
Set-Aside Carryover Balance as of June 30, 2004	\$ 0	\$ (945,719)	\$ (945,719)
Current Year Set-Aside Requirement	667,043	667,043	1,334,086
Qualifying Disbursements	<u>(3,936,163)</u>	<u>(1,287,786)</u>	<u>(5,223,949)</u>
Total	<u>\$ (3,269,120)</u>	<u>\$ (1,566,462)</u>	<u>\$ (4,835,582)</u>
Balance Carried Forward FY 2005	<u>\$ 0</u>	<u>\$ (1,566,462)</u>	<u>\$ (1,566,462)</u>
Cash Balance Carried Forward FY 2005	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The School 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.

**Note 20 – Contractual Commitments**

As of June 30, 2004, the School District had contractual commitments for the following projects:

	Contract Amount	Amount Paid as of 06/30/04	Amount Remaining on Contract
Harris Day Architects - High school locker rooms	\$ 18,000	\$ 2,500	\$ 15,500
Feinman Mechanical - High school locker rooms	42,000	7,605	34,395
Schalmo Construction - High school locker rooms	112,700	25,484	87,216
AC Split Bolt, Inc. - High school locker rooms	20,901	11,527	9,374
Central Allied Enterprises, Inc. - Various paving	188,000	0	188,000
Roofing Contractors, Inc. - Various roof replacements	90,200	36,800	53,400
International Truck & Engine Corp. - Dump truck	<u>66,155</u>	<u>0</u>	<u>66,155</u>
Totals	<u>\$ 537,956</u>	<u>\$ 83,916</u>	<u>\$ 454,040</u>

**PERRY LOCAL SCHOOL DISTRICT**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

---

**Note 21 – State School Funding Decision**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient..." School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**Note 22 – Perry Panther Digital Academy**

The Academy has been determined to be a discrete component unit. The School District Management has determined it is significant; therefore, it has been included as part of the School District's basic financial statements. The Academy began its start-up operations on February 13, 2003. At September 24, 2003, the date operations began, the Academy recorded \$2,641 in cash and \$54,591 in capital assets. The combination of these transactions resulted in a beginning Net Assets at September 24, 2003 of \$57,232.

The Academy issues a publicly available, stand-alone financial report that includes financial statements and supplementary information. That report may be obtained by writing to Perry Panther Digital Academy, 2100 38<sup>th</sup> Street N.W., Canton, Ohio 44709.

# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

February 11, 2005

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

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

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Perry Local School District (the "School District") as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 11, 2005. We did not audit the financial statements of Perry Panther Digital Academy, the School District's only discretely presented component unit. Other auditors audited those financial statements. They have furnished their report thereon to us, and we base our opinion, insofar as it relates to the amounts included for Perry Panther Digital Academy on the report of the other auditors. 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. The financial statements of Perry Panther Digital Academy were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for this independently audited organization is based on the reports of the other auditors.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School 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 over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

Other auditors performed procedures to obtain an understanding of the internal controls of the Perry Panther Digital Academy. There were no comments related to this organization which was considered reported for the School District.

A material weakness is a reportable 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 caused by error or fraud 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 operation that we consider to be material weaknesses.

Perry Local School District  
Independent Auditor's Report On Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards  
February 11, 2005  
Page 2

Compliance and Other Matters

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

Other auditors performed tests of noncompliance related to Perry Panther Digital Academy and the results of those tests are reported separately in the audit report of that entity. There was no noncompliance related to this organization which was considered reportable for the School District.

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

*Hea & Associates, Inc.*

# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

February 11, 2005

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 "School District") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The School 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 each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

### Internal Control Over Compliance

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

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  
February 11, 2005  
Page 2

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 reportable 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 caused by error or fraud 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.

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

*Hea & Associates, Inc.*

PERRY LOCAL SCHOOL DISTRICT  
STARK COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2004

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Grantor Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	84.010	C1-S1 - 2003 C1-S1 - 2004	\$ 45,204 438,996		\$ 99,502 391,807	
Total Title I Grants to Local Educational Agencies			<u>484,200</u>		<u>491,309</u>	
Special Education Cluster:						
Special Education - Grants to States	84.027	6B-SF - 2003 6B-SF - 2004	30,082 678,468		97,903 599,431	
Special Education - Preschool Grants	84.173	PG-S1 - 2003 PG-S1 - 2004	2,845 22,579		2,845 22,579	
Total Special Education Cluster			<u>733,974</u>		<u>722,758</u>	
State Grants for Innovative Programs	84.298	C2-S1 - 2001 C2-S1 - 2002 C2-S1 - 2003 C2-S1 - 2004	(30) (1,593) 5,513 29,012		0 0 5,882 25,171	
Total State Grants for Innovative Programs			<u>32,902</u>		<u>31,053</u>	
Safe and Drug Free Schools and Communities State Grants	84.186	DR-S1 - 2003 DR-S1 - 2004	1,997 15,649		3,841 14,075	
Total Safe and Drug Free Schools and Communities State Grants			<u>17,646</u>		<u>17,916</u>	
Education Technology State Grants	84.318	TJ-S1 - 2004	13,431		13,431	
Improving Teacher Quality State Grants	84.367	TR-S1 - 2003 TR-S1 - 2003	12,123 148,511		24,252 141,264	
Total Improving Teacher Quality State Grants			<u>160,634</u>		<u>165,516</u>	
Total U. S. Department of Education			<u>1,442,787</u>		<u>1,441,983</u>	
<b><u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>						
<i>Passed through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program (CAFS)	93.778	N/A	47,149		47,149	
<b><u>U. S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Food Distribution Program	10.550	N/A		\$ 146,874		\$ 146,874
School Breakfast Program	10.553	05-PU - 2003 05-PU - 2004	1,939 9,524		1,939 9,524	
Total School Breakfast Program			<u>11,463</u>		<u>11,463</u>	
National School Lunch Program	10.555	LL-P4 - 2003 LL-P4 - 2004	50,470 270,116		50,470 270,116	
Total National School Lunch Program			<u>320,586</u>		<u>320,586</u>	
Total U.S. Department of Agriculture - Child Nutrition Cluster			<u>332,049</u>	<u>146,874</u>	<u>332,049</u>	<u>146,874</u>
Total Federal Financial Assistance			<u>\$ 1,821,985</u>	<u>\$ 146,874</u>	<u>\$ 1,821,181</u>	<u>\$ 146,874</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, 2004

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, 2004, 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, 2004

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

A-133 Ref.  
.505(d)

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness Conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other 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): Special Education Cluster	CFDA # 84.027 & 84.173
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

NONE

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

NONE

**4. SUMMARY SCHEDULE OF PRIOR AUDIT  
FINDINGS AND CORRECTIVE ACTION PLAN**

NONE





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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  
APRIL 7, 2005**