



Dave Yost • Auditor of State



**PERRY LOCAL SCHOOL DISTRICT  
STARK COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Perry Local School District  
Stark County  
4201 13<sup>th</sup> Street S.W.  
Massillon, Ohio 44646

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Perry Local School District, Stark County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Perry Local School District, Stark County, Ohio, as of June 30, 2014, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures (the Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 17, 2015

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**Perry Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*

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The management's discussion and analysis of Perry Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for 2014 are as follows:

- ◆ In total, net position of governmental activities decreased \$922,546.
- ◆ Revenues for governmental activities totaled \$46,769,695 during 2014. Of this total, \$39,454,661, or approximately 84 percent consisted of general revenues while program revenues accounted for the balance of \$7,315,034 or approximately 16 percent.
- ◆ The School District had \$47,692,241 in expenses related to governmental activities; only \$7,315,034 of these expenses were offset by program specific charges for services and sales, operating grants and contributions. General revenues (primarily taxes and school foundation) of \$39,454,661 were not adequate to provide for these programs.
- ◆ Program expenses totaled \$47,692,241. Instructional expenses made up \$28,457,019 or 60 percent of this total while support services accounted for \$15,483,070 or 32 percent. Other expenses, \$3,752,152 rounded out the remaining 8 percent.

**Using this Annual Financial Report**

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

The *Statement of Net Position 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 School District, the general fund is by far the most significant fund.

**Perry Local School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2014*

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

***Statement of Net Position and the Statement of Activities***

While this document contains a 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 2014?"

The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets, deferred outflows, liabilities and deferred inflows* using the *accrual basis of accounting* similar to the accounting basis used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. These two statements report the School District's *net position* and *changes in position*. This change in net position 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 Position and the Statement of Activities, all of the School District's activities are classified as governmental. All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities as well as food services.

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

***Fund Financial Statements***

The financial statements of the School District's major funds begins on page 17. 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 fund is the general 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 Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**Perry Local School District**  
*Management's Discussion and Analysis (Continued)*  
For the Fiscal Year Ended June 30, 2014

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

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2014 compared to 2013:

**Table 1**  
**Net Position**  
**Governmental Activities**

	<i>2014</i>	<i>2013</i>
<b><i>Assets</i></b>		
Current and Other Assets	\$42,936,700	\$42,737,157
Capital Assets, Net	32,107,015	32,318,426
<i>Total Assets</i>	75,043,715	75,055,583
<b><i>Liabilities</i></b>		
Current and Other Liabilities	6,465,265	5,774,851
Long-term Liabilities	8,587,088	8,713,856
<i>Total Liabilities</i>	15,052,353	14,488,707
<b><i>Deferred Inflows of Resources</i></b>	17,987,468	17,640,437
<b><i>Net Position</i></b>		
Net Investment in Capital Assets	27,577,015	27,457,303
Restricted	2,121,386	1,416,212
Unrestricted	12,305,493	14,052,924
<i>Total Net Position</i>	\$42,003,894	\$42,926,439

Total assets slightly decreased by \$11,868. The overall decrease can be mainly attributed to a decrease in cash and cash equivalents by \$61,141. Current and other assets increased \$199,543; mainly due to intergovernmental receivables increasing by \$64,670 and taxes receivable increasing \$183,313. Total liabilities increased by \$563,646 which can be attributed mostly to an increase in contracts payable of \$534,050. Current and Other Liabilities increased by \$690,414; the increase is attributable to increased contracts payable. Long-term liabilities decreased \$126,768, the net decrease can mainly be attributed to principal payments made on the bonded debt.

**Perry Local School District**  
*Management's Discussion and Analysis (Continued)*  
For the Fiscal Year Ended June 30, 2014

Table 2 shows the changes in net position for fiscal year 2014 and 2013. This table presents two fiscal years in side-by-side comparisons in successive reporting years. This will enable the reader to draw further conclusion about the School District's financial status and possibly project future problems.

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

	<u>2014</u>	<u>2013</u>
<b>Revenues</b>		
<b>Program Revenues</b>		
Charges for Services	\$3,789,886	\$3,736,043
Operating Grants	3,525,148	3,293,925
<b>Total Program Revenues</b>	<u>7,315,034</u>	<u>7,029,968</u>
<b>General Revenues</b>		
Property Taxes	18,859,672	18,168,439
Grants and Entitlements	20,229,221	18,568,267
Other	365,768	344,438
<b>Total General Revenues</b>	<u>39,454,661</u>	<u>37,081,144</u>
<b>Total Revenues</b>	<u>46,769,695</u>	<u>44,111,112</u>
<b>Program Expenses</b>		
Instruction:		
Regular	20,940,669	20,441,168
Special	5,477,683	5,057,649
Vocational	1,848,237	1,819,420
Adult/Continuing	8,784	6,744
Student Intervention Services	181,646	119,657
Support Services:		
Pupils	2,766,829	3,100,233
Instructional Staff	845,658	653,935
Board of Education	145,185	121,026
Administration	3,250,553	3,424,602
Fiscal	767,054	764,919
Business	191,104	189,978
Operation and Maintenance of Plant	4,050,443	3,677,561
Pupil Transportation	2,406,632	2,229,506
Central	1,059,612	596,546
Operation of Non-Instructional Services	2,163,779	2,034,227
Extracurricular Activities	1,293,692	1,153,752
Interest and Fiscal Charges	294,680	25,638
<b>Total Program Expenses</b>	<u>47,692,240</u>	<u>45,416,561</u>
<b>Change in Net Position</b>	(922,545)	(1,305,449)
<b>Net Position Beginning of Year</b>	<u>42,926,439</u>	<u>44,231,888</u>
<b>Net Position End of Year</b>	<u>\$42,003,894</u>	<u>\$42,926,439</u>

**Perry Local School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2014*

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The vast majority of revenues supporting governmental activities are the general revenues. General revenues totaled \$39,454,661 which is approximately 84 percent of total revenue. One of the more significant portions of general revenues are property taxes which makes up approximately 40 percent of total revenue. Grants and entitlements not restricted to specific programs consisting of State foundation, homestead and rollback and personal property hold harmless tax exemption consists of approximately 43 percent of total revenue. Other general revenue, accounts for approximately one percent of total revenue. The remaining amount of revenue received was in the form of program revenues, which equaled \$7,315,034 or 16 percent of total revenue.

***Governmental Activities***

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

Instruction expenses comprises 60 percent of governmental program expenses. Supporting services for pupils, staff and business operations expenses encompassed an additional 32 percent of governmental program expenses. The remaining 8 percent of program expenses is used for other obligations of the School District such as non-instructional services, extracurricular activities and interest and fiscal charges.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. Comparisons of 2014 to 2013 have been made in Table 3.

**Perry Local School District**  
*Management's Discussion and Analysis (Continued)*  
For the Fiscal Year Ended June 30, 2014

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

The dependence upon tax revenues for governmental activities is apparent. The community, as a whole, is the primary support for the School District students. Program revenues only account for 15 percent of all governmental expenses. Program revenues include charges for services, grants and contributions that are program specific.

	<b>Total Cost of Services 2014</b>	<b>Net Cost of Services 2014</b>	<b>Total Cost of Services 2013</b>	<b>Net Cost of Services 2013</b>
<b><i>Program Expenses</i></b>				
Instruction:				
Regular	\$20,940,669	\$18,635,437	\$20,441,168	\$18,446,017
Special	5,477,683	3,412,190	5,057,649	2,952,660
Vocational	1,848,237	1,839,651	1,819,420	1,816,480
Adult/Continuing	8,784	8,784	6,744	6,744
Student Intervention Services	181,646	181,646	119,657	119,657
Support Services:				
Pupils	2,766,829	2,504,104	3,100,233	2,861,509
Instructional Staff	845,658	793,323	653,935	613,290
Board of Education	145,185	145,185	121,026	121,026
Administration	3,250,553	3,215,839	3,424,602	3,377,037
Fiscal	767,054	767,054	764,919	764,919
Business	191,104	191,104	189,978	189,978
Operation and Maintenance of Plant	4,050,443	4,003,716	3,677,561	3,664,057
Pupil Transportation	2,406,632	2,118,186	2,229,506	2,226,235
Central	1,059,612	1,059,612	596,546	572,737
Operation of Non-Instructional Services	2,163,779	128,299	2,034,227	21,892
Extracurricular Activities	1,293,692	1,078,396	1,153,752	606,717
Interest and Fiscal Charges	294,680	294,680	25,638	25,638
<i>Total</i>	<u>\$47,692,240</u>	<u>\$40,377,206</u>	<u>\$45,416,561</u>	<u>\$38,386,593</u>

**The School District's Funds**

Information about the School District's major funds starts on page 17. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues, including other financing sources of \$46,813,063 and expenditures and other financing uses of \$47,660,774. The general fund balance decreased by \$1,557,905; this can be attributed to increased expenditures and meeting the demands of State Statutes.

**Perry Local School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2014*

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**General Fund Budgeting Highlights**

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

During the course of fiscal year 2014, the School District made minor amendments to the general fund budget. For the general fund, the original budget basis revenue was \$40,489,542 and final budget basis revenue including other financing sources was \$40,492,042. The final actual revenues increased mainly due to additional tuition and fees collected. The initial budget basis expenditures including other financing sources was \$43,549,091, the final was \$44,259,836; representing a \$710,745 increase over the initial budget estimate. The final budget expenditures increased mainly to cover capital outlay costs. The School District's general fund unencumbered cash balance at the end of the fiscal year was \$20,009,292.

For the other non-significant budget amendments, the School District uses a site-based style of budgeting and had in place systems that are designed to tightly control site budgets but provide flexibility for site management. Building principals are given a per pupil allocation for textbooks, instructional materials and equipment. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**Capital Assets**

At the end of fiscal year 2014, the School District had \$32,107,015 invested in land, construction-in-progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Table 4 shows fiscal year 2014 balances compared with 2013.

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

	2014	2013
Land	\$1,366,878	\$1,366,878
Construction-In-Progress	191,823	0
Land Improvements	915,894	971,749
Buildings and Improvements	26,951,740	27,283,984
Furniture and Equipment	1,525,647	1,542,991
Vehicles	1,155,033	1,152,824
Total	<u>\$32,107,015</u>	<u>\$32,318,426</u>

All capital assets are reported net of depreciation. The \$211,411 decrease in capital assets was attributable depreciation. See note 8 to the basic financial statements for more detail on the capital assets of the School District.

**Perry Local School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2014*

**Debt**

At June 30, 2014 the School District had \$4,530,000 bonded debt outstanding, \$335,000 due within one year. Table 5 summarizes the debt outstanding of the School District.

**Table 5**  
**Outstanding Debt at June 30, 2014**  
**Governmental Activities**

	<i>Balance</i>			<i>Balance</i>	<i>Amount Due</i>
	<i>6/30/13</i>	<i>Additions</i>	<i>Deductions</i>	<i>6/30/14</i>	<i>In One Year</i>
<i>2011 HB 264 Qualified School Construction Bonds:</i>					
\$5,399,390 5.65% Serial/Term Bonds	\$4,860,000	\$0	\$330,000	\$4,530,000	\$335,000
<i>Total General Obligation Bonds</i>	<u>\$4,860,000</u>	<u>\$0</u>	<u>(\$330,000)</u>	<u>\$4,530,000</u>	<u>\$335,000</u>

On February 8, 2011, the School District issued \$5,525,000 in general obligation qualified school construction bonds("QSCB") to finance a HB 264 project. The bonds were issued for a fifteen year period with a final maturity at December 1, 2025. The principal and interest requirements will be recorded in the general fund.

The School District's overall debt margin is \$46,100,198 and the unvoted debt margin is \$562,558. For more information refer to Note 13 to the basic financial statements.

**Current Issues**

The 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, 2013; a renewal of an emergency levy. This renewal levy will generate sufficient revenues for a period of 5 years to sustain school operations but the School District has been deficit spending during the past three fiscal years and anticipates an additional tax request in the next 5 year period.

Real estate and personal property tax collections have shown little 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 40 percent of revenues for governmental activities for the School District during fiscal year 2014.



**Perry Local School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2014*

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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 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.

The School District suffers from drastic State revenue cuts during fiscal years 2012; those cuts have had a significant negative impact on fiscal year 2014 operations of the School District. The School District collected approximately \$2,000,000 less from the State and Federal government during fiscal year 2012 and any future years collections. Due to the drastic cuts from the State, the School District is forecasted to spend the District's cash surplus by fiscal year 2017. The School District will have to incur major program cuts or levy additional tax dollars to maintain financial stability.

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

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

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

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

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# Perry Local School District

Statement of Net Position  
June 30, 2014

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Investments	\$23,234,000
Inventory Held for Resale	43,736
Materials and Supplies Inventory	92,215
Accrued Interest Receivable	12,488
Intergovernmental Receivable	440,527
Taxes Receivable	19,113,734
Land	1,366,878
Construction in Progress	191,823
Depreciable Capital Assets, net	<u>30,548,314</u>
<b>Total Assets</b>	<u>75,043,715</u>
<b>Liabilities</b>	
Accounts Payable	190,587
Accrued Wages and Benefits	4,446,680
Contracts Payable	534,050
Intergovernmental Payable	955,897
Accrued Interest Payable	2,850
Matured Compensated Absences Payable	215,320
Retirement Incentive Payable	119,881
Long-Term Liabilities:	
Due Within One Year	534,312
Due in More Than One Year	8,052,776
<b>Total Liabilities</b>	<u>15,052,353</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes	<u>17,987,468</u>
<b>Net Position</b>	
Net Investment in Capital Assets	27,577,015
Restricted for Capital Outlay	902,449
Restricted for Other Purposes	1,218,937
Unrestricted	<u>12,305,493</u>
<b>Total Net Position</b>	<u><u>\$42,003,894</u></u>

See Accompanying Notes to the Basic Financial Statements

**Perry Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2014

	<u>Program Revenues</u>			<i>Net (Expenses) Revenue and Changes in Net Position</i>
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	
<b>Governmental Activities</b>				
Instruction:				
Regular	\$20,940,669	\$2,052,047	\$253,185	(\$18,635,437)
Special	5,477,683	359,146	1,706,347	(3,412,190)
Vocational	1,848,237	0	8,586	(1,839,651)
Adult/Continuing	8,784	0	0	(8,784)
Student Intervention Services	181,646	0	0	(181,646)
Support Services:				
Pupils	2,766,829	22,188	240,537	(2,504,104)
Instructional Staff	845,658	0	52,335	(793,323)
Board of Education	145,185	0	0	(145,185)
Administration	3,250,553	0	34,714	(3,215,839)
Fiscal	767,054	0	0	(767,054)
Business	191,104	0	0	(191,104)
Operation and Maintenance of Plant	4,050,443	6,727	40,000	(4,003,716)
Pupil Transportation	2,406,632	288,446	0	(2,118,186)
Central	1,059,612	0	0	(1,059,612)
Operation of Non-Instructional Services	2,163,779	846,036	1,189,444	(128,299)
Extracurricular Activities	1,293,692	215,296	0	(1,078,396)
Interest and Fiscal Charges	294,680	0	0	(294,680)
<b>Totals</b>	<u>\$47,692,240</u>	<u>\$3,789,886</u>	<u>\$3,525,148</u>	(40,377,206)

**General Revenues**

Property Taxes Levied for:	
General Purposes	18,126,941
Capital Outlay	732,731
Grants and Entitlements not Restricted to Specific Programs	20,229,221
Investment Earnings	78,507
Miscellaneous	287,261
<b>Total General Revenues</b>	<u>39,454,661</u>
<b>Change in Net Position</b>	(922,545)
<b>Net Position Beginning of Year</b>	<u>42,926,439</u>
<b>Net Position End of Year</b>	<u>\$42,003,894</u>

See Accompanying Notes to the Basic Financial Statements

# Perry Local School District

## Balance Sheet Governmental Funds June 30, 2014

	<i>General Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>Assets</b>			
Current Assets:			
Equity in Pooled Cash and Investments	\$20,788,625	\$2,445,375	\$23,234,000
Inventory Held for Resale	0	43,736	43,736
Materials and Supplies Inventory	88,151	4,064	92,215
Accrued Interest Receivable	12,488	0	12,488
Interfund Receivable	553	0	553
Intergovernmental Receivable	196,149	244,378	440,527
Taxes Receivable	18,367,871	745,863	19,113,734
<b>Total Assets</b>	<b>\$39,453,837</b>	<b>\$3,483,416</b>	<b>\$42,937,253</b>
<b>Liabilities</b>			
Current Liabilities:			
Accounts Payable	\$183,785	\$6,802	\$190,587
Accrued Wages and Benefits	4,056,115	390,565	4,446,680
Interfund Payable	0	553	553
Contracts Payable	534,050	0	534,050
Intergovernmental Payable	871,113	84,784	955,897
Accrued Interest Payable	2,850	0	2,850
Deferred Revenue	108,368	0	108,368
Matured Compensated Absences Payable	213,487	1,833	215,320
Retirement Incentive Payable	119,881	0	119,881
<b>Total Liabilities</b>	<b>6,089,649</b>	<b>484,537</b>	<b>6,574,186</b>
<b>Deferred Inflows of Resources</b>			
Property Taxes	17,285,795	701,673	17,987,468
Unavailable Revenues	948,236	38,406	986,642
<b>Total Deferred Inflows of Resources</b>	<b>18,234,031</b>	<b>740,079</b>	<b>18,974,110</b>
<b>Fund Balances</b>			
Nonspendable	88,151	47,800	135,951
Restricted	0	2,163,762	2,163,762
Assigned	411,456	47,238	458,694
Unassigned	14,630,550	0	14,630,550
<b>Total Fund Balances</b>	<b>15,130,157</b>	<b>2,258,800</b>	<b>17,388,957</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$39,453,837</b>	<b>\$3,483,416</b>	<b>\$42,937,253</b>

See Accompanying Notes to the Basic Financial Statements

**Perry Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 June 30, 2014*

**Total Governmental Fund Balances** \$17,388,957

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

Capital assets used in governmental activities are not financial  
 resources and therefore are not reported in the funds. 32,107,015

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

Delinquent Property Taxes	986,642	
Intergovernmental Receivables	108,368	
<i>Total</i>	1,095,010	1,095,010

Long-term liabilities, including bonds and compensated absences payable  
 not due and payable in the current period:

Energy Conservation Bonds	(4,530,000)	
Compensated Absences	(4,057,088)	
<i>Total</i>	(8,587,088)	(8,587,088)

*Net Position of Governmental Activities* \$42,003,894

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, 2014

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Property Taxes	\$18,030,309	\$729,045	\$18,759,354
Intergovernmental	20,064,523	3,636,186	23,700,709
Interest	78,338	169	78,507
Tuition and Fees	2,485,937	0	2,485,937
Extracurricular Activities	208,957	320,942	529,899
Customer Sales and Services	16,888	833,023	849,911
Miscellaneous	293,988	62,704	356,692
<b>Total Revenues</b>	<u>41,178,940</u>	<u>5,582,069</u>	<u>46,761,009</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	20,221,444	257,260	20,478,704
Special	3,698,034	1,677,558	5,375,592
Vocational	1,793,112	4,500	1,797,612
Adult/Continuing	8,784	0	8,784
Student Intervention Services	174,304	0	174,304
Support Services:			
Pupils	2,618,318	231,754	2,850,072
Instructional Staff	701,023	44,042	745,065
Board of Education	145,185	0	145,185
Administration	3,125,369	35,150	3,160,519
Fiscal	739,409	14,110	753,519
Business	192,386	0	192,386
Operation and Maintenance of Plant	3,944,649	0	3,944,649
Pupil Transportation	2,126,112	225,237	2,351,349
Central	1,011,922	16,024	1,027,946
Operation of Non-Instructional Services	199,205	1,876,620	2,075,825
Extracurricular Activities	1,050,415	258,656	1,309,071
Capital Outlay	309,317	283,018	592,335
Debt Service:			
Principal	330,000	0	330,000
Interest and Fiscal Charges	295,803	0	295,803
<b>Total Expenditures</b>	<u>42,684,791</u>	<u>4,923,929</u>	<u>47,608,720</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(1,505,851)</u>	<u>658,140</u>	<u>(847,711)</u>
<b>Other Financing Sources and Uses</b>			
Transfer In	0	52,054	52,054
Transfers Out	(52,054)	0	(52,054)
<b>Total Other Financing Sources (Uses)</b>	<u>(52,054)</u>	<u>52,054</u>	<u>0</u>
<b>Net Change in Fund Balances</b>	(1,557,905)	710,194	(847,711)
<b>Fund Balances Beginning of Year</b>	<u>16,688,062</u>	<u>1,548,606</u>	<u>18,236,668</u>
<b>Fund Balances End of Year</b>	<u>\$15,130,157</u>	<u>\$2,258,800</u>	<u>\$17,388,957</u>

See Accompanying Notes to the Basic Financial Statements

**Perry Local School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2014*

*Net Change in Fund Balances - Total Governmental Funds* (\$847,711)

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities,  
the costs 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 Outlay	889,938	
Depreciation	(1,101,349)	
	(1,101,349)	
<i>Total</i>		(211,411)

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

Intergovernmental Receivables	(91,632)	
Delinquent Property Taxes	100,318	
	100,318	
<i>Total</i>		8,686

In the statement of activities, debt payments and interest are recorded as liabilities, whereas in  
governmental funds, these revenues and expenditures are reported as received and paid  
when due.

Accrued Interest	1,123	
Principal Retirement on Energy Conservation Bonds	330,000	
	330,000	
<i>Total</i>		331,123

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

Compensated Absences		(203,232)
		(203,232)

*Changes in Net Position of Governmental Activities* (\$922,545)

See Accompanying Notes to the Basic Financial Statements



**Perry Local School District**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget(Non-GAAP) and Actual*  
**General Fund**  
*For the Fiscal Year Ended June 30, 2014*

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with</i>
	<i>Original</i>	<i>Final</i>		<i>Final Budget</i>
				<i>Positive (Negative)</i>
<b>Revenues</b>				
Property Taxes	\$18,116,909	\$18,116,909	\$18,284,075	\$167,166
Intergovernmental	19,566,608	19,596,608	19,997,615	401,007
Interest	173,500	173,500	27,279	(146,221)
Tuition and Fees	2,190,300	2,162,800	2,488,207	325,407
Extracurricular Activities	215,900	215,900	208,957	(6,943)
Gifts and Donations	0	0	0	0
Customer Sales and Services	10,200	10,200	16,888	6,688
Miscellaneous	216,125	216,125	298,628	82,503
<b>Total Revenues</b>	<b>40,489,542</b>	<b>40,492,042</b>	<b>41,321,649</b>	<b>829,607</b>
<b>Expenditures</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	20,946,926	20,828,759	20,181,778	646,981
Special	3,481,755	3,693,290	3,686,317	6,973
Vocational	1,843,229	1,902,319	1,857,253	45,066
Adult/Continuing	10,000	10,000	8,784	1,216
Student Intervention Services	125,919	123,219	163,900	(40,681)
<b>Support Services:</b>				
Pupils	2,616,244	2,677,709	2,659,841	17,868
Instructional Staff	808,492	822,110	713,159	108,951
Board of Education	154,429	166,059	146,882	19,177
Administration	3,333,841	3,382,931	3,159,662	223,269
Fiscal	766,837	772,437	744,533	27,904
Business	204,389	204,389	195,962	8,427
Operation and Maintenance of Plant	3,927,761	3,941,307	3,482,429	458,878
Pupil Transportation	2,032,304	2,051,615	2,080,522	(28,907)
Central	873,437	903,558	991,490	(87,932)
Operation of Non-Instructional Services	238,856	254,352	201,647	52,705
Extracurricular Activities	961,409	973,556	986,143	(12,587)
Capital Outlay	605,310	869,273	895,570	(26,297)
<b>Debt Service:</b>				
Principal	325,000	330,000	330,000	0
Interest and Fiscal Charges	292,953	292,953	292,953	0
<b>Total Expenditures</b>	<b>43,549,091</b>	<b>44,199,836</b>	<b>42,778,825</b>	<b>1,421,011</b>
<b>Excess of Revenues Under Expenditures</b>	<b>(3,059,549)</b>	<b>(3,707,794)</b>	<b>(1,457,176)</b>	<b>2,250,618</b>
<b>Other Financing Uses</b>				
Transfer Out	0	(60,000)	(52,054)	7,946
<b>Total Other Financing Uses</b>	<b>0</b>	<b>(60,000)</b>	<b>(52,054)</b>	<b>7,946</b>
<b>Net Change in Fund Balance</b>	<b>(3,059,549)</b>	<b>(3,767,794)</b>	<b>(1,509,230)</b>	<b>2,258,564</b>
<b>Fund Balance Beginning of Year</b>	<b>21,373,282</b>	<b>21,373,282</b>	<b>21,373,282</b>	<b>0</b>
<b>Prior Year Encumbrances Appropriated</b>	<b>145,240</b>	<b>145,240</b>	<b>145,240</b>	<b>0</b>
<b>Fund Balance End of Year</b>	<b>\$18,458,973</b>	<b>\$17,750,728</b>	<b>\$20,009,292</b>	<b>\$2,258,564</b>

See Accompanying Notes to the Basic Financial Statements

**Perry Local School District**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*June 30, 2014*

	<u><i>Agency</i></u>
<i>Assets</i>	
Equity in Pooled Cash and Cash Equivalents	<u>\$90,997</u>
<i>Total Assets</i>	<u><u>\$90,997</u></u>
<i>Liabilities</i>	
Current Liabilities:	
Undistributed Monies	\$395
Due to Students	<u>90,602</u>
<i>Total Liabilities</i>	<u><u>\$90,997</u></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, 2014*

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

The Perry Local School District (the “School District”) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a school district as defined by Section 3311.02 of the Ohio Revised Code. The School District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the School District. Average daily membership on, or as of October 1, 2013, was 4,971. The School District employs 355 certificated and 275 non-certificated employees.

***Reporting Entity***

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

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

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

The School District participates in one jointly governed organization and two public entity risk pools. These organizations are the Stark Portage Area Computer Consortium (SPARCC), Stark County Schools Council of Governments Health Benefits Program, and CompManagement Workers’ Compensation Group Rating Program. They are presented in Notes 14 and 15.

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

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

**Perry Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2014*

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

***A. Basis of Presentation***

The School District's basic financial statements consist of government-wide statements, including a statement of net position 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 Position 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. These statements usually distinguish those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

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

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

***B. Fund Accounting***

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

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

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

**Perry Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2014*

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

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

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

***C. Measurement Focus***

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

***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 and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

***D. Basis of Accounting***

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

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

**Perry Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2014*

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

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

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

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources include a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

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

***E. Budgetary Process***

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for

**Perry Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2014*

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

existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Budgetary modifications at this level require a resolution of the Board of Education. Although the legal level of control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. The Treasurer has been given the authority to allocate Board appropriations to the function and object levels within each fund.

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

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

***F. Cash and Investments***

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

During fiscal year 2014, investments were limited to STAR Ohio, federal agencies, money markets, repurchase agreements, commercial paper, municipal bonds and certificates of deposit.

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

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2014.

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 2014 amounted to \$78,338 of which approximately \$4,711 was attributable to other funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as "equity in pooled cash and investments". Investments with an original maturity of more than three months that are not purchased from the pool are presented on the basic financial statements as "investments".

**Perry Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2014*

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

***G. Inventory***

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

***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 position but are not reported in the fund financial statements.

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

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

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

***I. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused sick leave and vacation leave benefits when earned for all employees with more than one year of service.

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

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

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



**Perry Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2014*

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

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

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources that are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds that are reported as a liability in the fund financial statements only to the extent that they normally expected to be repaid with expendable available financial resources. Bonds are recognized as a liability on the fund financial statements when due.

***K. Net Position***

Net position represents the difference between all other elements of the statement of net position. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on its use 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 position are available.

***L. Fund Balance***

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

*Nonspendable* The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not to be converted to cash. It also includes the long-term amount of loans receivable.

*Restricted* The restricted fund balance is reported when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

*Committed* The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education; the highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund balance have been specifically committed for use in satisfying those contractual requirements.

**Perry Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2014*

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

*Assigned* Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

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

***M. Interfund Activity***

Transfers between governmental funds are eliminated on the government-wide financial statements. Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated. Receivables and payables resulting from short-term interfund loans are classified as interfund receivables/payables on the fund financial statements.

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

***N. Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans and unpaid amounts for interfund services provided and used are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net position.

***O. Estimates***

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

**Perry Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2014

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**Note 3 – Fund Balances**

Fund balances are classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Nonmajor Governmental Funds	Total
<b><i>Nonspendable</i></b>			
Inventory	\$88,151	\$47,800	\$135,951
<b><i>Restricted for</i></b>			
Classroom Facilities	0	902,449	902,449
Food Service	0	785,888	785,888
Student Activities	0	463,420	463,420
Auxiliary Funds	0	12,005	12,005
<b><i>Total Restricted</i></b>	<b>0</b>	<b>2,163,762</b>	<b>2,163,762</b>
<b><i>Assigned to</i></b>			
Purchases on Order	207,592	0	207,592
Other Purposes	203,864	47,238	251,102
<b><i>Total Assigned</i></b>	<b>411,456</b>	<b>47,238</b>	<b>458,694</b>
<b><i>Unassigned</i></b>	<b>14,630,550</b>	<b>0</b>	<b>14,630,550</b>
<b><i>Total Fund Balances</i></b>	<b>\$15,130,157</b>	<b>\$2,258,800</b>	<b>\$17,388,957</b>

**Note 4 - Budgetary Basis of Accounting**

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

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

**Perry Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2014

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

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

	<i>General</i>
<i>GAAP Basis</i>	(\$1,557,905)
Net Adjustment for Revenue Accruals	142,709
Net Adjustment for Expenditure Accruals	654,369
Adjustment for Encumbrances	(748,403)
<i>Budget Basis</i>	(\$1,509,230)

On a Budgetary and GAAP basis, the General fund is comprised of the General (001), Uniform School Supplies (009), Rotary-Special Services (011), Adult Education (012), Recreation (013), Public School Support (018) and Special Education (028) funds.

**Note 5 - Deposits and Investments**

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

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

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

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

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

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

**Perry Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2014*

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

3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes if training requirement have been met; and
8. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2).

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. Investments may only be made through specified dealers and institutions.

***Deposits***

***Custodial Credit Risk*** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year end, \$3,577,067 of the School District's bank balance of \$14,523,520 was uninsured and uncollateralized.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**Perry Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2014

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

***Investments***

As of June 30, 2014, the School District had the following investment and maturity:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturity</u>			
		<u>6 Months or Less</u>	<u>1 Year</u>	<u>2 Year</u>	<u>3 Year Or More</u>
STAR Ohio	\$5,876	\$5,876	\$0	\$0	\$0
Money Market	690,408	690,408	0	0	0
Mutual Funds	253,582	253,582	0	0	0
Ohio Municipal Bonds	178,848	178,848	0	0	0
Federal Farm Credit	724,412	0	0	250,258	474,154
Federal Home Loan Bank	1,949,817	0	0	1,949,817	0
Federal Home Loan Mortgage Corp	2,892,851	545,561	0	249,573	2,097,767
Federal National Mortgage Assn	2,299,686	0	0	580,632	1,719,054
<i>Total</i>	<u>\$8,995,480</u>	<u>\$1,674,275</u>	<u>\$0</u>	<u>\$3,030,230</u>	<u>\$4,290,975</u>

***Interest Rate Risk.*** As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the School District's investment policy limits investment portfolio maturities to five years or less. Investments have an average maturity of 763 days.

***Credit Risk*** Standard & Poor's has assigned STAR Ohio and the money market an AAAM rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. Federal Home Loan Bank, Federal Home Loan Mortgage Corp, Federal National Mortgage Association, Ohio Municipal Bonds, Federal Farm Credit and the securities that underlie the repurchase agreements investments were rated Aaa by Standards & Poor's. The School District has no investment policy that would further limit its investment choices.

***Custodial Credit Risk*** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

**Perry Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2014

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

**Concentration of Credit Risk.** The School District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the School District at June 30, 2014:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent Total</u>
STAR Ohio	\$5,876	0.07%
Money Market	690,408	7.68%
Mutual Funds	253,582	2.82%
Ohio Municipal Bonds	178,848	1.99%
Federal Farm Credit	724,412	8.05%
Federal Home Loan Bank	1,949,817	21.68%
Federal Home Loan Mortgage Corp	2,892,851	32.16%
Federal National Mortgage Assn	2,299,686	25.56%
<i>Total</i>	<u>\$8,995,480</u>	<u>100.00%</u>

**Note 6 - Property Taxes**

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

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2014 represents collections of calendar 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State Law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013 and are collected in 2014 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Stark County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed personal property tax and the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

**Perry Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2014

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

The amount available as an advance at June 30, 2014 was \$133,840 in the general fund and \$5,784 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2013 was \$387,606 in the general fund and \$16,054 in the permanent improvement capital projects fund. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	<i>2014 First Half Collections</i>		<i>2013 Second Half Collections</i>	
	<i>Amount</i>	<i>Percent</i>	<i>Amount</i>	<i>Percent</i>
Agricultural/Residential and Other Real Estate	\$402,170,320	71.49%	\$400,391,100	71.33%
Commercial Industrial	127,480,550	22.66	129,486,740	23.07
Public Utility Personal	32,906,890	5.85	31,424,180	5.60
	<u>\$562,557,760</u>	<u>100.00%</u>	<u>\$561,302,020</u>	<u>100.00%</u>
Tax Rate per \$1,000 of assessed valuation	\$49.20		\$48.20	

**Note 7 - Receivables**

Receivables at June 30, 2014, consisted of taxes, accounts (rent, student fees and tuition), accrued interest and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of the State programs, and the current fiscal year guarantee of Federal funds.

<i>Governmental Activities</i>	<i>Amounts</i>
Excess Cost/Tuition	\$173,735
E-Rate and Medicaid	22,414
Title VI-B	133,821
Resident Educator	4,900
Title I	84,729
Early Childhood	954
Title II-A	19,974
<i>Total Intergovernmental Receivables</i>	<u>\$440,527</u>



**Perry Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2014

**Note 8 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	<i>Balance</i> <i>July 1, 2013</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance</i> <i>June 30, 2014</i>
<b><i>Non Depreciable Capital Assets</i></b>				
Land	\$1,366,878	\$0	\$0	\$1,366,878
Construction-In-Progress	0	191,823	0	191,823
<b><i>Total Non Depreciable Capital Assets</i></b>	<b>1,366,878</b>	<b>191,823</b>	<b>0</b>	<b>1,558,701</b>
<b><i>Capital Assets being Depreciated</i></b>				
Land Improvements	1,641,639	29,498	0	1,671,137
Buildings and Improvements	40,959,433	335,192	0	41,294,625
Furniture and Equipment	2,445,775	103,028	0	2,548,803
Vehicles	3,416,613	230,397	(121,650)	3,525,360
<b><i>Total Capital Assets being Depreciated</i></b>	<b>48,463,460</b>	<b>698,115</b>	<b>(121,650)</b>	<b>49,039,925</b>
	49,830,338	889,938	(121,650)	50,598,626
<b><i>Less Accumulated Depreciation</i></b>				
Land Improvements	(669,890)	(85,353)	0	(755,243)
Buildings and Improvements	(13,675,449)	(667,436)	0	(14,342,885)
Furniture and Equipment	(902,784)	(120,372)	0	(1,023,156)
Vehicles	(2,263,789)	(228,188)	121,650	(2,370,327)
<b><i>Total Accumulated Depreciation</i></b>	<b>(17,511,912)</b>	<b>*(1,101,349)</b>	<b>121,650</b>	<b>(18,491,611)</b>
<b><i>Total Capital Assets Being Depreciated</i></b>	<b>30,951,548</b>	<b>(403,234)</b>	<b>0</b>	<b>30,548,314</b>
<b><i>Governmental Activities Capital Assets, Net</i></b>	<b><u>\$32,318,426</u></b>	<b><u>(\$211,411)</u></b>	<b><u>\$0</u></b>	<b><u>\$32,107,015</u></b>

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

	<b>Depreciation Expense</b>
Regular Instruction	\$323,040
Special Instruction	68,020
Vocational Instruction	17,749
SS - Pupils	38,170
SS – Instructional Staff	89,705
SS –Administration	44,852
SS -Fiscal Services	8,024
SS –Operation & Maintenance of Plant	91,167
SS -Transportation	277,331
SS-Central	29,275
Operation of Non-Instructional Service	89,311
Extracurricular	24,705
<b>Total Depreciation Expense</b>	<b><u>\$1,101,349</u></b>

**Perry Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2014*

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**Note 9 - Risk Management**

***A. General Insurance***

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The School District has a comprehensive property and casualty policy with a deductible of \$5,000 and \$1,000 per incident on property and equipment, respectively, with a 100 percent blanket, all risk policy for property coverage. The School District's vehicle insurance policy limit is \$1,000,000 single occurrence limited liability. All board members, administrators, and employees are covered under a school district liability policy. Additionally, the School District carries a \$5,000,000 blanket umbrella policy. The limits of this coverage are \$2,000,000 per occurrence and \$5,000,000 in aggregate, with no deductible. Settlements have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior year. The Treasurer is covered under a surety bond in the amount of \$50,000.

***B. Workers' Compensation***

The School District participates in the CompManagement Workers Compensation Group Rating Plan ("the Plan"), an insurance purchasing pool (Note 15B). 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.

***C. Employee Health Benefits***

The School District participates in the Stark County Schools Council of Governments Health Benefits Program ("the Council"), a shared risk pool (Note 15A) to provide employee medical/surgical benefits. The Council is a risk sharing pool created pursuant to State statute for the purpose of carrying out a cooperative program for the provision and administration of health care benefits. The Assembly is the legislative decision-making body of the Council. The Assembly is comprised of the superintendents or executive officers of the members, who have been appointed by the respective governing body of each member.

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

**Perry Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2014*

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

Rates are set through an annual calculation process. The School District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating districts. The employees share the cost of the monthly premium with the Board. For fiscal year 2014 the School District's monthly medical premium for family coverage was \$1,438 and \$592 for single coverage and \$185 and \$75 for dental, respectively. For fiscal year 2013, the School District's monthly medical premium for family coverage was \$1,376 for family and \$566 for single medical coverage and \$177 for family and \$71 for single dental coverage, respectively. Full-time employees pay twenty percent of the premium while part-time employees pay fifty percent of the premium.

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

**Note 10 - Other Employee Benefits**

***A. Compensated Absences***

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

Teachers, administrators, and classified employees earn sick leave at the rate of 1-1/4 days per month. Sick leave may be accumulated to a maximum of 340 days. Upon retirement, employees receive payment for 30 percent of the total sick leave accumulation, not to exceed 78 days in fiscal year 2014.

***B. Life Insurance***

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

**Perry Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2014*

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**Note 11 - Defined Benefit Pension Plans**

**A. School Employees Retirement System**

Plan Description – The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining .90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$ 816,936, \$807,066, and \$773,049, respectively. For fiscal year 2014, 67.29 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

**B. State Teachers Retirement System**

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer 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 can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

**Perry Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2014*

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

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate was increased one percent July 1, 2013, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$2,816,852 for the fiscal year ended June 30, 2014, \$2,887,203 for the fiscal year ended June 30, 2013, and \$2,758,074 for the fiscal year ended June 30, 2012. For fiscal year 2014, 83.62 percent has been contributed for the DB plan and the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2014 were \$103,998, \$58,239 made by the School District and \$45,759 made by the plan members. In addition, member contributions of \$79,259 were made for fiscal year 2014 for the defined contribution portion of the Combined Plan.

**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 of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2014, no Board of Education members have elected Social Security.

**Note 12 - Postemployment Benefits**

**A. School Employees Retirement System**

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**Perry Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2014*

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, .14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2014, this amount was \$20,250. During fiscal year 2014, the School District paid \$122,904 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$8,731, \$9,857, and \$33,479, respectively. For fiscal year 2014, 67.29 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012, were \$47,395, \$45,590, and \$45,653, respectively. For fiscal year 2014, 67.29 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

**B. State Teachers Retirement System**

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$216,681, \$213,342, and \$212,160, and respectively. For fiscal year 2014, 83.62 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012. The Board voted to discontinue the current one percent allocation to the health care fund effective July 1, 2014.

**Perry Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2014

**Note 13 - Long - Term Obligations**

Changes in the School District's long-term obligations during fiscal year 2014 were as follows:

	<i>Balance</i>			<i>Balance</i>	<i>Amounts Due</i>
	<i>6/30/13</i>	<i>Additions</i>	<i>Deductions</i>	<i>6/30/14</i>	<i>In One Year</i>
<i>Compensated Absences</i>	\$3,853,856	\$358,716	(\$155,484)	\$4,057,088	\$199,312
<i>2011 HB 264 Qualified School Construction Bonds:</i>					
\$5,399,390 5.65% Serial/Term Bonds	4,860,000	0	(330,000)	4,530,000	335,000
<i>Total General Obligation Bonds</i>	4,860,000	0	(330,000)	4,530,000	335,000
<i>Total Governmental Activities Long-Term Liabilities</i>	\$8,713,856	\$358,716	(\$485,484)	\$8,587,088	\$534,312

On February 8, 2011, the School District issued \$5,525,000 in general obligation qualified school construction bonds (“QSCB”) to finance a HB 264 project. The bonds were issued for a fifteen year period with a final maturity at December 1, 2025. The bond issue consisted of serial, term and capital appreciation bonds. The principal and interest requirements will be recorded in the general fund. The School District’s overall debt margin is \$46,100,198 and the unvoted debt margin is \$562,558.

The following is a summary of the School District’s future annual principal and interest requirements to retire the general obligation bonds:

<i>Fiscal Year</i>	<i>Serial and Term Bonds</i>	
	<i>Principal</i>	<i>Interest</i>
<i>Ending June 30,</i>		
2015	\$335,000	\$292,952
2016	345,000	292,952
2017	350,000	292,952
2018	360,000	292,952
2019	365,000	292,952
2020-2024	1,945,000	1,464,760
2025-2026	830,000	585,905
<i>Total</i>	\$4,530,000	\$3,515,425

The principal and interest requirements will be recorded in the general fund. Annually the School District must pay the entire interest amount and then submits a form for the return of credit payments to issuers of qualified bond from the Internal Revenue Service. In 2014, the School District was reimbursed \$259,350; the net annual interest cost of the bonds to the School District in 2014 was \$33,602. Over the term of the bonded debt repayment schedule, the School District will be reimbursed \$4,140,074 of the total \$4,339,766 interest costs.

Compensated absences will be primarily paid from the general, food service and auxiliary funds.

**Perry Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2014*

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**Note 14 - Jointly Governed Organization**

The Stark Portage Area Computer Consortium (SPARCC) is a jointly governed organization among 31 school districts, the Stark County Educational Service Center and the Portage County Educational Service Center and the Portage County Education Service Center. The purpose of the organization is to apply modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The legislative and advisory body is the assembly which is comprised of the superintendents of the participating schools. The degree of control exercised by any participating district is limited to its representation on the assembly, which appoints the five-member executive board. The executive board exercises total control over the operation of SPARCC including budgeting, appropriating, contracting and designating management. The executive board consists of five superintendents. All revenues are generated from State funding and an annual fee charged to participating districts. The School District paid \$222,749 to SPARCC during the fiscal year 2014. 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.

**Note 15 - Public Entity Risk Pools**

**A. Risk Sharing Pool**

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

**B. Insurance Purchasing Pool**

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

**Note 16 – 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, 2014.



**Perry Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2014

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**Note 16 – Contingencies(continued)**

***B. Litigation***

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

**Note 17 - 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 acquisition and construction of capital improvements.

The following cash basis information describes the set aside amount for capital acquisition. Disclosure of this information is required by State Statute.

	<i>Capital Acquisition</i>
<i>Set-Aside Reserve Balance as of June 30, 2013</i>	\$0
Current Year Set-Aside Requirement	796,530
Qualifying Disbursements	(1,007,795)
<i>Total</i>	(\$211,265)
<i>Set-Aside Balance Carried Forward to Future Years</i>	\$0
<i>Set-Aside Reserve Balance as of June 30, 2014</i>	\$0

Although the School District had qualifying disbursements during the fiscal year that reduced the capital acquisition set-side amounts below zero, these extra amounts will not be used to reduce the set-aside requirements of future years. The negative amounts will not be presented as being carried forward to the next fiscal year.

**Note 18 - Interfund Activity**

Interfund balances on the Balance Sheet at June 30, 2014, consist of interfund payables in the amount of \$553 for the teacher quality special revenue fund due to the general fund and presented as an interfund receivable in the amount of \$553 on the balance sheet. The interfund payables are advances for grant monies that were not received by fiscal year end and were for support to programs and projects in the special revenues funds. Advances will be repaid within one year.

In addition, during the fiscal year, the General fund made a one-time transfer to the Athletic and Music fund in the amount of \$52,054 to cover expenditures to run the athletic program.

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**PERRY LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2014**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Pass-through Grant Number	Receipts	Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	10.555	006-0000	\$ 131,312	\$ 131,312
Cash Assistance:				
School Breakfast Program	10.553	006-0000	200,526	200,526
National School Lunch Program	10.555	006-0000	844,274	844,274
<b>Total U.S. Department of Agriculture &amp; Child Nutrition Cluster</b>			1,176,112	1,176,112
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education</i>				
Title I Grants to Local Educational Agencies	84.010	572-9113	43,999	99,018
		572-9114	645,239	602,115
Total Title I Grants to Local Educational Agencies			689,238	701,133
Special Education Cluster:				
Special Education Grants to States (IDEA Part B)	84.027	516-9113	49,016	104,197
		516-9114	856,036	797,105
Total Special Education Grants to States (IDEA Part B)			905,052	901,302
Preschool Handicapped	84.173	587-9113	8,522	10,231
		587-9114	22,856	22,221
Total Preschool Handicapped			31,378	32,452
Total Special Education Cluster			936,430	933,754
Improving Teacher Quality State Grants	84.367	590-9113	16,171	25,167
		590-9114	119,399	120,361
Total Improving Teacher Quality State Grants			135,570	145,528
<b>Total U.S. Department of Education</b>			1,761,238	1,780,415
<b>Total</b>			<b>\$2,937,350</b>	<b>\$ 2,956,527</b>

*The accompanying notes are an integral part of this schedule.*

**PERRY LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Perry Local School District  
Stark County  
4201 13<sup>th</sup> Street S.W.  
Massillon, Ohio 44646

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Perry Local School District, Stark County, Ohio (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 17, 2015.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 17, 2015



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Perry Local School District  
Stark County  
4201 13<sup>th</sup> Street S.W.  
Massillon, Ohio 44646

To the Board of Education:

### ***Report on Compliance for the Major Federal Program***

We have audited the Perry Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the District's major federal program.

### ***Management's Responsibility***

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, the Perry Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2014.

***Report on Internal Control Over Compliance***

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 17, 2015



**PERRY LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster – Special Education Grants to States (IDEA, Part B) CFDA# 84.027 and Preschool Handicapped CFDA# 84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	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

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# Dave Yost • Auditor of State

**PERRY LOCAL SCHOOL DISTRICT**

**STARK COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 2, 2015**