



Dave Yost • Auditor of State



**PERRY LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Perry Local School District  
Allen County  
2770 East Breese Road  
Lima, Ohio 45806

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Perry Local School District, Allen County, Ohio (the School District), as of and for the fiscal year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the School 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 the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for 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 School 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 School 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 cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Perry Local School District, Allen County, Ohio, as of June 30, 2014 and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the fiscal year then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

Ohio Administrative Code § 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Other Matters**

*Supplemental and Other Information*

We audited to opine on the School District's financial statements that collectively comprise its basic financial statements.

*Management's Discussion & Analysis* includes tables of net position, change in net position, governmental activities, and outstanding debt. This information provides additional analysis and is not a required part of the basic financial statements.

The Schedule of Federal Award Receipts and Expenditures (the Schedule) also 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.

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

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2015 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 School 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

January 22, 2015

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**PERRY LOCAL SCHOOL DISTRICT**  
**ALLEN COUNTY, OHIO**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*(Unaudited)*

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The 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 the fiscal year ended June 30, 2014, within the limitations of cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

**HIGHLIGHTS**

Key highlights for fiscal year 2014 are as follows:

- In total, net position of governmental activities increased \$8,615,599.
- General receipts account for \$22,397,791 or 87 percent of all revenues received from governmental activities, and reflects the School District's significant dependence on property taxes and unrestricted state entitlements
- In 2014, the Perry Local School District taxpayers supported the renewal of a \$500,000 emergency levy.
- The Perry community also voted to support the School District with a \$7.965 million bond issue to construct a new K-6 building.

**USING THE BASIC FINANCIAL STATEMENTS**

**Report Components**

The statement of net position and the statement of activities provide information about the activities of the School District as a whole, presenting both an aggregate view of the School District's finances and a longer-term view of those finances.

Fund financial statements provide a greater 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 non-major funds presented in total in a single column. For the School District, the General Fund, the Bond Retirement Fund, and the Classroom Facilities Fund are the most significant funds.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**PERRY LOCAL SCHOOL DISTRICT**  
**ALLEN COUNTY, OHIO**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
(Unaudited)  
(Continued)

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**REPORTING THE SCHOOL DISTRICT AS A WHOLE**

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2014, on the cash basis of accounting.

The statement of net position presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the School District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Factors which contribute to these changes may also include the School District's property tax base, current property tax laws in Ohio restricting 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 activities are presented as governmental activities. All of the School District's programs and services are reported here including instruction, support services, non-instructional services, extracurricular activities, and capital outlay disbursements.

**REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS**

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the Bond Retirement Fund, and the Classroom Facilities Fund.

**Governmental Funds** – All of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using the cash basis of accounting. The governmental fund financial 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 determine whether there are more or less financial resources that can be spent in the near future to finance educational programs. The School District's significant governmental funds are presented on the financial statements in separate columns.

**Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs.

**PERRY LOCAL SCHOOL DISTRICT**  
**ALLEN COUNTY, OHIO**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*(Unaudited)*  
*(Continued)*

**THE SCHOOL DISTRICT AS A WHOLE**

Table 1 provides a summary of the School District's net position for fiscal year 2014 compared to fiscal year 2013 on the cash basis of accounting.

**Table 1**  
**Net Position - Cash Basis**

	Governmental Activities	
	2014	2013
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 11,885,402	\$ 3,269,803
<i>Total Assets</i>	11,885,402	3,269,803
<b>Net Position</b>		
Restricted for:		
Capital Outlay	8,238,756	307,469
Debt Service	644,422	154,988
Other Purposes	325,714	280,827
Unrestricted	2,676,510	2,526,519
<i>Total Net Position</i>	\$ 11,885,402	\$ 3,269,803

Net position of the governmental activities increased \$8,615,599 which represents a 263 percent increase from fiscal year 2013. This is due to issuance of debt.

A portion of the School District's net position, \$9,208,892, represents resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net position of \$2,676,510 may be used to meet the School District's ongoing obligations.

**PERRY LOCAL SCHOOL DISTRICT**  
**ALLEN COUNTY, OHIO**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*(Unaudited)*  
*(Continued)*

Table 2 reflects the changes in net position for fiscal year 2014 compared to fiscal year 2013 on the cash basis of accounting.

**Table 2**  
**Change in Net Position – Cash Basis**

	Governmental Activities	
	2014	2013
<b>Receipts</b>		
<b>Program Receipts</b>		
Charges for Services and Sales	\$ 2,537,723	\$ 2,408,514
Operating Grants, Contributions and Interest	871,406	931,736
Capital Grants, Contributions and Interest	29	113
<b>Total Program Receipts</b>	<b>3,409,158</b>	<b>3,340,363</b>
<b>General Receipts</b>		
Property Taxes	3,606,345	3,010,029
Grants and Entitlements not Restricted to Specific Programs	2,599,288	2,186,141
Proceeds of Bond Anticipation Notes	7,965,000	0
Proceeds of General Obligation Bonds	7,964,999	0
Premium on Debt Issuance	202,782	0
Investment Earnings	16,451	6,532
Miscellaneous	42,926	44,247
<b>Total General Receipts</b>	<b>22,397,791</b>	<b>5,246,949</b>
<b>Total Receipts</b>	<b>25,806,949</b>	<b>8,587,312</b>
<b>Program Disbursements</b>		
Instruction:		
Regular	3,205,127	3,073,261
Special	1,078,591	1,159,243
Student Intervention Services	1,621	1,773
Other	795,888	709,643
Support Services:		
Pupils	404,408	383,085
Instructional Staff	123,441	241,326
Board of Education	26,772	27,571
Administration	627,071	623,302
Fiscal	263,431	281,361
Operation and Maintenance of Plant	770,784	758,824
Pupil Transportation	410,385	419,919
Central	7,200	0
Operation of Non-Instructional Services:		
Food Service Operations	437,756	451,934
Extracurricular Activities	292,902	254,324
Capital Outlay	125,908	34,806
Debt Service:		
Principal Retirement	8,080,673	133,685
Interest and Fiscal Charges	339,971	227,850
Issuance Costs	199,421	0
<b>Total Program Disbursements</b>	<b>17,191,350</b>	<b>8,781,907</b>
<b>Change in Net Position</b>	<b>8,615,599</b>	<b>(194,595)</b>
<b>Net Position Beginning of Year</b>	<b>3,269,803</b>	<b>3,464,398</b>
<b>Net Position End of Year</b>	<b>\$ 11,885,402</b>	<b>\$ 3,269,803</b>

**PERRY LOCAL SCHOOL DISTRICT**  
**ALLEN COUNTY, OHIO**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*(Unaudited)*  
*(Continued)*

Program revenues account for 13 percent of total receipts and are primarily represented by restricted intergovernmental receipts, charges for tuition, fees, extracurricular activities and food service sales.

Property taxes increased \$596,316 due to two new levies that were passed relating to the School District's Classroom Facilities construction project. Both new levies began collection in calendar year 2014.

The major program disbursements for governmental activities are for instruction, which accounts for 30 percent of all governmental disbursements.

Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for approximately 5 percent of governmental disbursements. Maintenance of the School District's facilities also represents a significant expense, 4 percent. Therefore, 39 percent of the School District's disbursements are related to the primary functions of providing facilities and delivering education.

Table 3 shows a comparison between the total cost of services and the net cost of services for governmental activities for both 2014 and 2013. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax receipts and unrestricted state entitlements.

**Table 3**  
**Governmental Activities**

	Total Costs of Services		Net Costs of Services	
	2014	2013	2014	2013
<b><i>Program Disbursements</i></b>				
<b>Instruction:</b>				
Regular	\$ 3,205,127	\$ 3,073,261	\$ 944,513	\$ 998,473
Special	1,078,591	1,159,243	574,129	487,989
Vocational	0	0	0	(3,485)
Student Intervention Services	1,621	1,773	1,621	1,773
Other	795,888	709,643	795,888	709,643
<b>Support Services:</b>				
Pupils	404,408	383,085	331,910	383,085
Instructional Staff	123,441	241,326	123,427	241,285
Board of Education	26,772	27,571	26,772	27,571
Administration	627,071	623,302	606,800	602,314
Fiscal	263,431	281,361	263,431	281,361
Operation and Maintenance of Plant	770,784	758,824	770,136	758,824
Pupil Transportation	410,385	419,919	410,385	419,919
Central	7,200	0	3,600	(3,600)
<b>Operation of Non-Instructional Services:</b>				
Food Service Operations	437,756	451,934	(14,002)	(30,857)
Extracurricular Activities	292,902	254,324	197,638	171,021
Capital Outlay	125,908	34,806	125,879	34,693
<b>Debt Service:</b>				
Principal Retirement	8,080,673	133,685	8,080,673	133,685
Interest and Fiscal Charges	339,971	227,850	339,971	227,850
Issuance Costs	199,421	0	199,421	0
<b>Total</b>	<b>\$ 17,191,350</b>	<b>\$ 8,781,907</b>	<b>\$ 13,782,192</b>	<b>\$ 5,441,544</b>

**PERRY LOCAL SCHOOL DISTRICT**  
**ALLEN COUNTY, OHIO**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
(Unaudited)  
(Continued)

Instruction and pupil and instructional staff support services comprise 33 percent of governmental program expenses in fiscal year 2014. Board of Education, Administration and Fiscal charges were 5 percent in fiscal year 2014. Fiscal expenses include payments to the County Auditor(s) for administrative fees and other administrative services provided by the School District. Pupil transportation and the operation and maintenance of facilities accounted for 7 percent in fiscal year 2014.

The dependence upon foundation revenues for governmental activities is apparent.

**GOVERNMENTAL FUNDS**

The School District's governmental funds are accounted for using the cash basis of accounting. Total governmental funds had receipts, excluding other financing sources, of \$9,674,168 and disbursements of \$17,191,350.

There was a change in fund balance for the general fund, however there were no significant events that occurred which caused the change. The change in the bond retirement fund was due to the timing of the issuance of debt, tax collections, and maturity payments. The classroom facilities fund had a change in fund balance due to the issuance of debt as compared to the timing on construction costs.

**GENERAL FUND BUDGETING HIGHLIGHTS**

The School District's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2014, the School District amended its General Fund budget as needed. Final budgeted receipts, excluding Other Financing Sources, in the amount of \$7,591,928 were over original budgeted receipts of \$7,130,414. The \$116,222 difference between the final budgeted receipts and actual receipts was due to property and other taxes and intergovernmental revenue being less than anticipated.

Original disbursements were budgeted at \$7,315,831 while final budgeted disbursements were \$7,766,081, excluding Other Financing Uses. The School District was able to restrict spending to what was anticipated.

**DEBT ADMINISTRATION**

The School District had the following long-term obligations outstanding at June 30, 2014 and 2013.

**Table 4**  
**Outstanding Debt, at June 30**

	Governmental Activities	
	2014	2013
2001 School Improvement Serial, Term Bonds	\$ 0	\$ 177,524
2010 School Improvement Refunding Bonds	2,962,638	2,863,462
2014 School Improvement Bonds	7,970,264	0
Water Line Assessment	64,680	67,630
Sewer Line Assessment	394,937	405,392
Total	\$ 11,392,519	\$ 3,514,008

For further information regarding the School District's debt, refer to Note 11 of the basic financial statements.

**PERRY LOCAL SCHOOL DISTRICT**  
**ALLEN COUNTY, OHIO**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
(Unaudited)  
(Continued)

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**Current Issues**

Perry Local School District relies heavily on the support of the local community and its taxpayers. In 2011 and in 2014, the taxpayers supported the renewal of three separate levies, including permanent improvement and operating levies (all with five year terms).

The Perry community also voted to support the School District with a \$7.965 million bond issue to construct a new K-6 building. This project, in conjunction with the Ohio Facilities Construction Commission, has been hoped for and discussed for a number of years, and with the taxpayer support, the groundbreaking is scheduled for spring 2015.

Open enrollment continues to play an important factor in the growth and sustainment of Perry Local Schools. In fiscal year 2014, the School District received over \$2.1 million in open enrollment funding.

The District continues to improve the technology for student learning, using permanent improvement funds and applying for grant monies whenever possible. In fiscal year 2014, Perry Local School District's application for the Ohio School Facilities Commission's School Security Grant Program was approved, providing equipment to aid in keeping our students safe.

Perry School District management continues to monitor School District finances. The coming years should prove to be both exciting and challenging to the School District as it constructs and begins to operate the new elementary school building. There is also the possibility of change in the state funding formula, which directly impacts the school's revenues. School District management is committed to monitoring these changing conditions and making pro-active decisions regarding School District finances when needed.

**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 reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Treasurer, Perry Local School District, 2770 E. Breese Road, Lima, Ohio 45806.

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**Perry Local School District**  
**Allen County, Ohio**  
*Statement of Net Position - Cash Basis*  
*June 30, 2014*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 11,885,402
<i>Total Assets</i>	<u>\$ 11,885,402</u>
<b>Net Position</b>	
Restricted for:	
Capital Outlay	\$ 8,238,756
Debt Service	644,422
Other Purposes	325,714
Unrestricted	<u>2,676,510</u>
<i>Total Net Position</i>	<u>\$ 11,885,402</u>

See accompanying notes to the basic financial statements.

**Perry Local School District**  
**Allen County, Ohio**  
*Statement of Activities - Cash Basis*  
*For the Fiscal Year Ended June 30, 2014*

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$ 3,205,127	\$ 2,204,094	\$ 56,520	\$ 0	\$ (944,513)
Special	1,078,591	154,339	350,123	0	(574,129)
Student Intervention Services	1,621	0	0	0	(1,621)
Other	795,888	0	0	0	(795,888)
Support Services:					
Pupils	404,408	0	72,498	0	(331,910)
Instructional Staff	123,441	0	14	0	(123,427)
Board of Education	26,772	0	0	0	(26,772)
Administration	627,071	16,438	3,833	0	(606,800)
Fiscal	263,431	0	0	0	(263,431)
Operation and Maintenance of Plant	770,784	0	648	0	(770,136)
Pupil Transportation	410,385	0	0	0	(410,385)
Central	7,200	0	3,600	0	(3,600)
Operation of Non-Instructional Services:					
Food Service Operations	437,756	108,839	342,919	0	14,002
Extracurricular Activities	292,902	54,013	41,251	0	(197,638)
Capital Outlay	125,908	0	0	29	(125,879)
Debt Service:					
Principal Retirement	8,080,673	0	0	0	(8,080,673)
Interest and Fiscal Charges	339,971	0	0	0	(339,971)
Issuance Costs	199,421	0	0	0	(199,421)
<b>Total Governmental Activities</b>	<b>\$ 17,191,350</b>	<b>\$ 2,537,723</b>	<b>\$ 871,406</b>	<b>\$ 29</b>	<b>(13,782,192)</b>
 <b>General Receipts</b>					
Property Taxes Levied for:					
General Purposes					2,776,576
Debt Service					699,994
Capital Outlay					99,387
Classroom Facilities Maintenance					30,388
Grants and Entitlements not Restricted to Specific Programs					2,599,288
Proceeds of Bond Anticipation Notes					7,965,000
Proceeds of General Obligation Bonds					7,964,999
Premium on Debt Issuance					202,782
Investment Earnings					16,451
Miscellaneous					42,926
<b>Total General Receipts</b>					<b>22,397,791</b>
Change in Net Position					8,615,599
<i>Net Position Beginning of Year</i>					3,269,803
<i>Net Position End of Year</i>					<b>\$ 11,885,402</b>

See accompanying notes to the basic financial statements.

**Perry Local School District**  
**Allen County, Ohio**  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*June 30, 2014*

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 2,676,510	\$ 644,422	\$ 7,035,878	\$ 1,528,592	\$ 11,885,402
<i>Total Assets</i>	<u>\$ 2,676,510</u>	<u>\$ 644,422</u>	<u>\$ 7,035,878</u>	<u>\$ 1,528,592</u>	<u>\$ 11,885,402</u>
<b>Fund Balances</b>					
Nonspendable	\$ 677	0	\$ 0	0	677
Restricted	0	\$ 644,422	7,035,878	1,528,592	9,208,892
Assigned	837,463	0	0	0	837,463
Unassigned	1,838,370	0	0	0	1,838,370
<i>Total Fund Balances</i>	<u>\$ 2,676,510</u>	<u>\$ 644,422</u>	<u>\$ 7,035,878</u>	<u>\$ 1,528,592</u>	<u>\$ 11,885,402</u>

See accompanying notes to the basic financial statements.

**Perry Local School District**  
**Allen County, Ohio**  
*Statement of Receipts, Disbursements and Changes*  
*in Fund Balances - Cash Basis - Governmental Funds*  
*For the Fiscal Year Ended June 30, 2014*

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Property and Other Local Taxes	\$ 2,776,576	\$ 699,994		\$ 129,775	\$ 3,606,345
Intergovernmental	2,342,973	81,927	352,780	47,774	3,425,454
Interest	7,023	77	8,041	1,400	16,541
Tuition and Fees	2,358,358	0	0	0	2,358,358
Rent	76	0	0	0	76
Extracurricular Activities	16,437	0	0	54,039	70,476
Gifts and Donations	3,932	0	0	41,244	45,176
Charges for Services	0	0	0	108,815	108,815
Miscellaneous	40,561	0	0	2,366	42,927
<i>Total Receipts</i>	<u>7,545,936</u>	<u>781,998</u>	<u>160,821</u>	<u>1,185,413</u>	<u>9,674,168</u>
<b>Disbursements</b>					
Current:					
Instruction:					
Regular	3,135,120	0	0	70,007	3,205,127
Special	723,119	0	0	355,472	1,078,591
Student Intervention Services	1,621	0	0	0	1,621
Other	795,888	0	0	0	795,888
Support Services:					
Pupils	331,334	0	0	73,074	404,408
Instructional Staff	121,058	0	0	2,383	123,441
Board of Education	26,772	0	0	0	26,772
Administration	627,071	0	0	0	627,071
Fiscal	245,020	15,107	0	3,304	263,431
Operation and Maintenance of Plant	768,306	0	0	2,478	770,784
Pupil Transportation	410,385	0	0	0	410,385
Central	0	0	0	7,200	7,200
Extracurricular Activities	208,929	0	0	83,973	292,902
Operation of Non-Instructional Services:					
Food Service Operations	1,322	0	0	436,434	437,756
Capital Outlay	0	0	0	125,908	125,908
Debt Service:					
Principal Retirement	0	8,067,268	0	13,405	8,080,673
Interest and Fiscal Charges	0	331,030	0	8,941	339,971
Issuance Costs	0	199,421	0	0	199,421
<i>Total Disbursements</i>	<u>7,395,945</u>	<u>8,612,826</u>	<u>0</u>	<u>1,182,579</u>	<u>17,191,350</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>149,991</u>	<u>(7,830,828)</u>	<u>160,821</u>	<u>2,834</u>	<u>(7,517,182)</u>
<b>Other Financing Sources</b>					
Proceeds of Bond Anticipation Notes	0	0	6,875,057	1,089,943	7,965,000
Proceeds of General Obligation Bonds	0	7,964,999	0	0	7,964,999
Premium on Debt Issuance	0	202,782	0	0	202,782
<i>Total Other Financing Sources</i>	<u>0</u>	<u>8,167,781</u>	<u>6,875,057</u>	<u>1,089,943</u>	<u>16,132,781</u>
<i>Net Change in Fund Balances</i>	149,991	336,953	7,035,878	1,092,777	8,615,599
<i>Fund Balances Beginning of Year</i>	<u>2,526,519</u>	<u>307,469</u>	<u>0</u>	<u>435,815</u>	<u>3,269,803</u>
<i>Fund Balances End of Year</i>	<u>\$ 2,676,510</u>	<u>\$ 644,422</u>	<u>\$ 7,035,878</u>	<u>\$ 1,528,592</u>	<u>\$ 11,885,402</u>

See accompanying notes to the basic financial statements.

**Perry Local School District**  
**Allen County, Ohio**  
*Statement of Receipts, Disbursements and Changes in Fund Balance*  
*Budget and Actual - Budget Basis*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2014*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$ 2,711,579	\$ 2,874,141	\$ 2,776,576	\$ (97,565)
Intergovernmental	2,187,980	2,362,608	2,342,973	(19,635)
Interest	6,527	5,936	7,022	1,086
Tuition and Fees	2,223,225	2,348,007	2,348,007	0
Rent	346	184	76	(108)
Gifts and Donations	50	100	100	0
Miscellaneous	707	952	952	0
<i>Total Receipts</i>	<u>7,130,414</u>	<u>7,591,928</u>	<u>7,475,706</u>	<u>(116,222)</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	2,973,545	3,235,458	3,137,283	98,175
Special	805,072	757,227	723,119	34,108
Student Intervention Services	0	1,783	1,621	162
Other	713,552	806,899	795,888	11,011
Support Services:				
Pupils	309,459	349,859	331,334	18,525
Instructional Staff	238,222	137,624	121,113	16,511
Board of Education	34,253	34,535	33,947	588
Administration	598,894	624,178	606,107	18,071
Fiscal	274,083	257,240	245,020	12,220
Operation and Maintenance of Plant	757,639	826,473	793,071	33,402
Pupil Transportation	428,216	513,583	486,670	26,913
Extracurricular Activities:				
Academic Oriented Activities	8,116	11,106	10,753	353
Sport Oriented Activities	162,467	198,021	188,585	9,436
School and Public Service Co-Curricular Activities	8,073	10,355	10,180	175
Operation of Non-Instructional Services:				
Food Service Operations	1,517	1,517	1,322	195
Capital Outlay	2,723	223	200	23
<i>Total Disbursements</i>	<u>7,315,831</u>	<u>7,766,081</u>	<u>7,486,213</u>	<u>279,868</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(185,417)</u>	<u>(174,153)</u>	<u>(10,507)</u>	<u>163,646</u>
<b>Other Financing Sources (Uses)</b>				
Refund of Prior Year Expenditures	0	38,653	38,653	0
Advances In	24,907	0	0	0
Advances Out	(24,905)	0	0	0
Transfers Out	0	(52,000)	(52,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>2</u>	<u>(13,347)</u>	<u>(13,347)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(185,415)</u>	<u>(187,500)</u>	<u>(23,854)</u>	<u>163,646</u>
<i>Fund Balance Beginning of Year</i>	2,523,601	2,523,601	2,523,601	0
Prior Year Encumbrances Appropriated	24,948	24,948	24,948	0
<i>Fund Balance End of Year</i>	<u>\$ 2,363,134</u>	<u>\$ 2,361,049</u>	<u>\$ 2,524,695</u>	<u>\$ 163,646</u>

See accompanying notes to the basic financial statements.

**Perry Local School District**  
**Allen County, Ohio**  
*Statement of Fiduciary Net Position - Cash Basis*  
*Fiduciary Funds*  
*June 30, 2014*

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 17,480	\$ 27,447
Cash and Cash Equivalents in Segregated Accounts	0	62,432
<i>Total Assets</i>	\$ 17,480	\$ 89,879
 <b>Net Position</b>		
Held in Trust for Scholarships	\$ 17,480	\$ 0
Held for Student Activities	0	27,447
HRA Plan	0	62,432
<i>Total Net Position</i>	\$ 17,480	\$ 89,879

See accompanying notes to the basic financial statements.

**Perry Local School District**  
**Allen County, Ohio**  
*Statement of Change in Fiduciary Net Position - Cash Basis*  
*Fiduciary Fund*  
*For the Fiscal Year Ended June 30, 2014*

	Private Purpose Trust
	Scholarship
<b>Additions</b>	
Gifts and Contributions	\$ 5,512
Interest	4
<i>Total Additions</i>	<i>5,516</i>
<b>Deductions</b>	
Scholarships	2,196
<i>Total Deductions</i>	<i>2,196</i>
<i>Change in Net Position</i>	<i>3,320</i>
<i>Net Position Beginning of Year</i>	<i>14,160</i>
<i>Net Position End of Year</i>	<i>\$ 17,480</i>

See accompanying notes to the basic financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Perry Local School District (the School District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally elected Board form of government consisting of five members elected at-large for staggered four-year terms. The School District provides educational services as authorized by state and federal guidelines.

The School District is located in Allen County and includes all of Perry Township. The School District is staffed by 29 classified employees and 53 certificated full-time teaching personnel who provide services to 871 students and other community members. The School District currently operates two buildings.

**A. Reporting Entity**

The reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading.

**B. Primary Government**

The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Perry Local School District, this includes general operations, food service, and student related activities.

**C. Component Units**

Component units 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 provide 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.

**D. Jointly Governed Organizations/Insurance Pools**

The School District is associated with four organizations, which are defined as jointly governed organizations, and three insurance purchasing pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, the Apollo Career Center, the Spencerville, Perry and Bath Local Professional Development Committee, the Northwest Ohio Educational Research Council, Inc., the Allen County Schools Health Benefit Plan, the Ohio School Plan, and the Sheakley Uniservice, Inc. Workers' Compensation Group Rating Program. These organizations are presented in Notes 14 and 15 of the financial statements.

The School District's management believes these financial statements present all activities for which the School District is financially accountable.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Although required by Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial report in accordance with generally accepted accounting principles, the School District chooses to prepare its financial statements on the basis of accounting other than generally accepted accounting principles.

As discussed further in Note 2C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). This comprehensive basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting.

Following are the more significant of the School District's accounting policies.

**A. Basis of Presentation**

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

**1. 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.

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 disbursements and program receipts for each program or function of the School District's governmental activities. Direct disbursements are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants, contributions, and interest that are restricted to meeting the operational or capital requirements of a particular program. Receipts, which are not classified as program receipts are presented as general receipts of the School District, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general receipts of the School District.

**2. Fund Financial Statements**

During the fiscal 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. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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**B. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that records cash and other financial resources, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. The funds of the School District are divided into two categories, governmental and fiduciary.

**1. Governmental Funds**

Governmental funds are those through which all governmental functions of the School District are financed. Governmental fund reporting focuses on the sources uses and balances or current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. The School District's major funds are as follows:

**General Fund** - The General Fund is used to account 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.

**Bond Retirement** – The Bond Retirement Fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest.

**Classroom Facilities** – The Classroom Facilities Fund is a fund provided to account for monies received and expended in connection with contracts entered into by the school district and the Ohio Schools Facilities Commission for the building and equipping of classroom facilities.

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed internally or externally.

**2. Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. 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 not available to support the School District's own programs. The School District's private purpose trust fund accounts for programs that provide college scholarships for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for various student-managed activities and an employee Section 105 HRA plan.

**C. Basis of Accounting**

The School District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in the financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate.

The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund, function, and object level for all funds.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statement reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statement reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

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

**E. Cash and Investments**

To improve cash management, cash received by the School District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

Money held in the HRA account is presented as "Cash and Cash Equivalents in Segregated Accounts."

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2014, the School District invested in Federal National Mortgage Association Notes, Federal Home Loan Bank Notes, Federal Home Loan Mortgage Notes, Federal Farm Credit Notes, a cash and money market fund, certificates of deposits, a government and agency mutual fund, and STAROhio. Investments are reported at cost, which approximates market value.

STAROhio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2014.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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The School District also invests in STAR Plus, a federally insured cash account powered by the Federally Insured Cash Account (FICA) program. STAR Plus enables political subdivisions to generate a competitive yield on cash deposits in a network of carefully-selected FDIC-insured banks via a single, convenient account. STAR Plus offers attractive yields with no market or credit risk, weekly liquidity and penalty free withdrawals. All deposits with STAR Plus have full FDIC insurance, with no term commitment on deposits.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2014 were \$7,023, which includes \$5,457 assigned from other funds.

**F. Inventory and Prepaid Items**

The School District reports disbursements for inventory and prepaid items when paid.

**G. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid.

**H. Interfund Receivables/Payables**

The School District reports advances-in and advances-out for interfund loans.

**I. Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's cash basis of accounting.

**J. Employer Contributions to Cost-Sharing Pension Plans**

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**K. Long-Term Obligations**

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

**L. Equity Classifications**

**1. Government-Wide Statements**

Equity is classified as net position and is displayed in separate components:

- a. Restricted net position** – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation adopted by the school district. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to disbursements for specified purposes. At June 30, 2014 the School District had no funds restricted by enabling legislation.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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- b. Unrestricted net position** – All other net position that does not meet the definition of “restricted.”

The School District’s policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net positions are available.

**2. Fund Financial Statements**

Governmental fund equity is classified as 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 the resources in governmental funds. The classifications are as follows:

- a. Non-spendable** - The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.
- b. Restricted** - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.
- c. Committed** - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- d. Assigned** - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or 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 the Board of Education. The Board of Education has by resolution authorized the treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.
- e. Unassigned** - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are 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 can be used.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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**M. Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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 cash disbursements to the funds that initially paid for them are not presented in the financial statements.

Transfers within governmental activities are eliminated on the government-wide financial statements.

**N. Intergovernmental Receipts**

Unrestricted intergovernmental receipts received on the basis of entitlement are recorded as receipts when the entitlement is received. Federal and State reimbursement type grants for the acquisition or construction of capital assets are recorded as receipts when the grant money is received.

**O. Receipts and Disbursements**

**1. Program Receipts**

In the Statement of Activities, receipts that are derived directly from each activity or from parties outside the School District's taxpayers are reported as program receipts. The School District has the following program receipts: charges for services and sales, operating and capital grants, contributions and interest.

All other governmental receipts are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

**2. Disbursements**

Governmental activities include the School District's programs and services, including instruction, support services, extracurricular activities, and food service operations.

**P. Implementation of New Accounting Policies**

For the fiscal year ended June 30, 2014, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, GASB Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*, and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the School District's fiscal year 2014 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the School District.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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GASB Statement No. 70 improves comparability of financial statements by requiring consistent reporting and specifying information required to be disclosed for extending and receiving nonexchange financial guarantees. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the School District.

**3. ACCOUNTABILITY AND COMPLIANCE**

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

**4. BUDGETARY BASIS OF ACCOUNTING**

The statement of receipts, disbursements and changes in fund balance - budget and actual (budget basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the cash basis are that:

- (a) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a disbursement; and,
- (b) Some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the cash basis to the budget basis for the general fund is as follows:

**Net Change in Fund Balance**

	<u>General Fund</u>
Cash basis	\$ 149,991
Decrease due to encumbrances outstanding at fiscal year end	(126,033)
Funds budgeted elsewhere	<u>(47,812)</u>
Budget basis	<u>\$ (23,854)</u>

\*\* As part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a cash basis. This includes the unclaimed monies fund, public school support funds and uniform school supplies fund.

**5. DEPOSITS AND INVESTMENTS**

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active 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.



**PERRY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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Inactive deposits are public deposits that the Board 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 held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio and STAR Plus).
8. Commercial paper and bankers acceptances if training requirements have been met.

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

At fiscal year end, the School District had \$50 in un-deposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

**PERRY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**A. Deposits**

At fiscal year end, the carrying amount of the School District's deposits was \$8,870,582, and the bank balance was \$8,915,461. 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 the possession of an outside party. At fiscal year end, \$8,717,892 of the School District's bank balance was covered by the Federal Deposit Insurance Corporation, which includes \$800,892 held in a STAR Plus account, and \$197,569 was uninsured and collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits.

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.

At fiscal year end, the School District's agency funds had a restricted balance of \$62,432 consisting of cash held with American Fidelity Assurance Company for an HRA account. The cash is held by American Fidelity Assurance Company in a pooled account which is representative of numerous funds; therefore, it cannot be classified by risk under GASB Statement 40.

**B. Investments**

As of June 30, 2014 the School District had the following investments:

	Carrying Value	Market Value	Maturity
Cash and Money Market	\$ 254	\$ 254	Current
Government and Agency Mutual Fund	306,983	306,983	Current
U.S. Treasury Money Market	5,136	5,136	Current
Federal Home Loan Bank	199,826	200,583	8/28/2015
Federal Home Loan Bank	164,522	164,700	12/28/2015
Federal Home Loan Bank	204,898	205,083	3/24/2017
Federal Home Loan Mortgage Note	250,050	250,228	4/29/2015
Federal Farm Credit Note	149,950	150,011	11/14/2016
Federal Farm Credit Note	224,901	224,979	12/14/2015
Federal Farm Credit Note	244,795	244,813	3/03/2016
Federal National Mortgage Association Note	165,300	165,460	3/16/2015
Federal National Mortgage Association Note	199,772	200,121	12/21/2015
Federal National Mortgage Association Note	250,025	250,134	5/20/2016
Totals	<u>2,366,412</u>	<u>\$ 2,368,485</u>	
STAROhio	693,285		
Total Investments	<u>\$ 3,059,697</u>		

**PERRY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**Interest Rate Risk** - Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The investment policy restricts the Treasurer from investing in anything other than as identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the School District. The Treasurer is also restricted from purchasing investments that cannot be held until the maturity date.

The Federal National Mortgage Association Notes, Federal Home Loan Bank Notes, Federal Farm Credit Notes, and Federal Home Loan Mortgage Notes carry a rating of AA+ by Standard and Poor's. The U.S. Treasury Money Market carries a rating of AA+ by Standard and Poor's. STAROhio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. As of June 30, 2014, STAROhio had an average of maturity of 51 days and carried a rating of AA+ by Standard and Poor's.

**Custodial credit risk** is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal National Mortgage Notes, Federal Home Loan Bank Notes, Federal Farm Credit Notes, and Federal Home Loan Mortgage Notes are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name.

The School District has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

**Concentration of Credit Risk** - The School District has adopted a policy that its portfolio shall remain sufficiently liquid to meet current obligations of the School District. Minimum levels may be established in order to meet current obligations; however, the School District has not limited the amount that may be invested in a particular security. The following table indicates the percentage of each investment compared to the School District's total portfolio.

	Carrying Value	Percentage of Portfolio
Cash and Money Market	\$ 254	0.0%
Government and Agency Mutual Fund	306,983	10.0%
U.S. Treasury Money Market	5,136	0.2%
Federal Home Loan Bank Note	569,246	18.6%
Federal Home Loan Mortgage Note	250,050	8.2%
Federal Farm Credit	619,646	20.2%
Federal National Mortgage Note	615,097	20.1%
STAROhio	693,285	22.7%
Total Investments	<u>\$3,059,697</u>	<u>100.00%</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**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 and public utility property located in the School District. Real property tax revenue received in calendar year 2014 represents collections of calendar year 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 semiannually, 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 personal property 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.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

The School District receives property taxes from Allen 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.

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

	<b>2013 Second- Half Collections</b>		<b>2014 First- Half Collections</b>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Real Estate	\$ 104,186,220	95.1%	\$ 105,176,100	92.0%
Public Utility/Personal Property	5,318,210	4.9%	9,120,890	8.0%
Total	<u>\$ 109,504,430</u>	<u>100%</u>	<u>\$ 114,296,990</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$ 42.72		\$ 51.42	

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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**7. RISK MANAGEMENT**

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. During fiscal year 2014, the School District contracted with the Ohio School Plan for general liability, educational legal liability and fleet insurance, and with Indiana Insurance Company for property insurance.

Coverages provided by the various insurances are as follows:

Building and Contents - Replacement Cost	\$23,152,946
Automobile Liability (\$250 to \$1,000 deductible)	1,000,000
General Liability	
Per occurrence	3,000,000
Total per year	5,000,000
Educational Legal Liability	
Per occurrence	3,000,000
Total per year	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

For fiscal year 2014, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

The School District participates in the Sheakley Uniservice, Inc. Group Rating Program (the Program), an insurance purchasing pool. The Program is intended to reduce premiums for the participants. The worker's compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the program.

Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate. Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

The School District participates in the Allen County Schools Health Benefit Plan (the Plan), a public entity shared risk pool consisting of the districts within Allen County. The School District pays monthly premiums to the Plan for employee medical and dental benefits. The Plan is responsible for the management and operations of the program. Upon withdrawal from the Plan, a participant is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**(Continued)**

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**8. PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The School District contributes to the School Employees Retirement System of Ohio ("SERS"), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](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 at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$117,251, \$143,786 and \$132,251, respectively; 65 percent has been contributed for fiscal year 2014 and 100 percent for the 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 plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on 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 DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. 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 or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**PERRY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$354,855, \$406,291 and \$409,586, respectively; 81 percent has been contributed for fiscal year 2014 and 100 percent for the fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$930 made by the School District and \$730 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2014, no members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

**9. POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description – The School District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug plan is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

Active members do not contribute to the postemployment benefit plans. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. 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 (including surcharge) for the fiscal years ended June 30, 2014, 2013, and 2012 were \$16,866, \$16,626, and \$19,889, respectively; 65 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2014, the 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 \$6,802, \$8,122, and \$7,810, respectively; 65 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**B. State Teachers Retirement System**

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the 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 Plan. All benefit recipients 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 the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$27,297, \$31,253, and \$31,506, respectively; 81 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**10. NOTES PAYABLE**

The changes in the School District's notes payable during fiscal year 2014 were as follows:

	Principal Outstanding 6/30/2013	Additions	Deductions	Principal Outstanding 6/30/2014
2013 Bond Anticipation Notes				
1.25% Maturity 5/28/2014	\$ 0	\$ 7,965,000	\$ 7,965,000	\$ 0

The bond anticipation note is backed by the full faith and credit of the School District and was repaid with bond proceeds during fiscal year 2014. The note was issued to finance a portion of the local share of school construction under the State of Ohio Classroom Facilities Assistance Program.



**PERRY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

(Continued)

**11. LONG-TERM OBLIGATIONS**

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

	Principal Outstanding 6/30/2013	Additions	Deductions	Principal Outstanding 6/30/2014	Due Within One Year
<b>General Obligation Bonds</b>					
2001 School Improvement Bonds					
Capital Appreciation Bonds	\$ 52,268	\$ 0	\$ 52,268	\$ 0	\$ 0
Accretion for Capital Bonds	125,256	7,476	132,732	0	0
Total 2001 Improvement Bonds	177,524	7,476	185,000	0	0
2010 School Improvement Refunding Bonds					
Term Bonds	50,000	0	50,000	0	0
Serial Bonds	2,630,000	0	0	2,630,000	230,000
Capital Appreciation Bonds	74,999	0	0	74,999	0
Accretion for Capital Bonds	108,463	149,176	0	257,639	0
Total 2010 Refunding Bonds	2,863,462	149,176	50,000	2,962,638	230,000
2014 School Improvement Bonds					
Term Bonds	0	6,625,000	0	6,625,000	0
Serial Bonds	0	1,305,000	0	1,305,000	210,000
Capital Appreciation Bonds	0	34,999	0	34,999	0
Accretion for Capital Bonds	0	5,265	0	5,265	0
Total 2014 School Improvement Bonds	0	7,970,264	0	7,970,264	210,000
<b>Total General Obligation Bonds</b>	<b>3,040,986</b>	<b>8,126,916</b>	<b>235,000</b>	<b>10,932,902</b>	<b>440,000</b>
<b>Special Assessment Debt:</b>					
Water Line Assessment	67,630	0	2,950	64,680	6,075
Sewer Line Assessment	405,392	0	10,455	394,937	21,449
Total Special Assessment Debt	473,022	0	13,405	459,617	27,524
<b>Total Long-Term Obligations</b>	<b>\$ 3,514,008</b>	<b>\$ 8,126,916</b>	<b>\$ 248,405</b>	<b>\$ 11,392,519</b>	<b>\$ 467,524</b>

**2001 General Obligation Bonds:** On March 1, 2001, the School District issued \$4,499,999 in voted general obligation bonds for constructing, improving, and making additions to school buildings and related site development. The bond issue included serial, term, and capital appreciation bonds in the amount of \$1,485,000, \$2,905,000 and \$109,999 respectively. The bonds will be retired with a voted property tax levy from the debt service fund.

The term bonds maturing on December 1, 2018 through December 1, 2025, were subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. (These term bonds were refunded. See 2010 General Improvement Refunding Bonds below.)

The capital appreciation bonds matured in fiscal years 2013 and 2014. The maturity amounts of the bonds were \$185,000 for fiscal year 2013 and \$185,000 for fiscal year 2014. Capital appreciation bonds were not subject to redemption prior to maturity. The interest on the capital appreciation bonds represents the accretion of the deep-discounted bonds from the initial value at the time of issuance to their value at final maturity of \$370,000.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**2010 General Improvement Refunding Bonds:** In October 2010, the School District issued \$2,904,999 in voted general obligation bonds for the purpose of refunding a portion of the 2001 School Improvement Bonds originally issued in the aggregate principal amount of \$3,570,477 for the purpose of additions and renovations to the High School. The refunding bond issue consists of \$2,630,000 in serial bonds, \$100,000 in term bonds and \$74,999 in capital appreciation bonds. The serial bonds have interest rates ranging from 1.60 to 3.60 percent. \$230,000 of the serial bonds mature in fiscal year 2015, with the remaining serial bonds maturing each year beginning in 2017 and ending 2025. The final term bond matured in fiscal year 2014. Capital appreciation bonds in the amount of \$74,999 will accrete interest at rates from 2.60 to 2.90. The capital appreciation bonds mature December 1, 2015 and 2016 in the amounts of \$235,000 and \$240,000, respectively.

Capital appreciation bonds are not subject to redemption prior to maturity. At June 30, 2014 the accreted value of the capital appreciation bonds was \$332,638. The interest on the capital appreciation bonds represents the accretion of the deep-discounted bonds from the initial value at the time of issuance to their value at final maturity of \$475,000.

**2014 School Improvement Bonds:** On February 21, 2014, the School District issued \$7,964,999 in voted general obligation bonds for the purpose of financing a portion of the local share of school construction under the State of Ohio Classroom Facilities Assistance Program. The project includes the construction of a new K-6 elementary building, demolition of Perry elementary and locally funded initiatives for the project, together with equipment, furnishings, landscaping and all necessary appurtenances. The bond issue consists of \$1,305,000 in serial bonds, \$6,625,000 in term bonds and \$34,999 in capital appreciation bonds. The serial bonds have interest rates ranging from 1.00 to 3.10 percent. The term bonds have interest rates ranging from 4.00 to 4.75 percent. Capital appreciation bonds in the amount of \$34,999 will accrete interest at rates from 2.10 to 3.00. The capital appreciation bonds mature December 1, 2019, 2020 and 2021 in the amounts of \$135,000 each year.

The Current Interest Bonds due December 1, 2027 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2026 at 100% of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2026	\$155,000

Unless otherwise called for redemption, the remaining \$160,000 principal amount of the Bonds due December 1, 2027 is to be paid at stated maturity.

The Current Interest Bonds due December 1, 2029 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2028 at 100% of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2028	\$165,000

Unless otherwise called for redemption, the remaining \$175,000 principal amount of the Bonds due December 1, 2029 is to be paid at stated maturity.

The Current Interest Bonds due December 1, 2031 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2030 at 100% of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2030	\$180,000

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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Unless otherwise called for redemption, the remaining \$185,000 principal amount of the Bonds due December 1, 2031 is to be paid at stated maturity.

The Current Interest Bonds due December 1, 2033 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2032 at 100% of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2032	\$195,000

Unless otherwise called for redemption, the remaining \$205,000 principal amount of the Bonds due December 1, 2033 is to be paid at stated maturity.

The Current Interest Bonds due December 1, 2038 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2034 and each December 1 thereafter at 100% of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2034	\$210,000
2035	220,000
2036	230,000
2037	240,000

Unless otherwise called for redemption, the remaining \$250,000 principal amount of the Bonds due December 1, 2038 is to be paid at stated maturity.

The Current Interest Bonds due December 1, 2043 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2039 and each December 1 thereafter at 100% of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2039	\$260,000
2040	275,000
2041	285,000
2042	300,000

Unless otherwise called for redemption, the remaining \$310,000 principal amount of the Bonds due December 1, 2043 is to be paid at stated maturity.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

The Current Interest Bonds due December 1, 2050 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2044 and each December 1 thereafter at 100% of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

Year	Principal Amount to be Redeemed
2044	\$325,000
2045	340,000
2046	355,000
2047	375,000
2048	390,000
2049	410,000

Unless otherwise called for redemption, the remaining \$430,000 principal amount of the Bonds due December 1, 2050 is to be paid at stated maturity.

Capital appreciation bonds are not subject to redemption prior to maturity. At June 30, 2014 the accreted value of the capital appreciation bonds was \$40,264. The interest on the capital appreciation bonds represents the accretion of the deep-discounted bonds from the initial value at the time of issuance to their value at final maturity of \$405,000.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2014 are as follows:

Fiscal Year Ending	2014 Issue			2010 Issue		Interest/ Accretion	Total Amount
	Serial Principal	Term Principal	Capital Appreciation	Serial Principal	Capital Appreciation		
2015	\$ 210,000	\$ 0	\$ 0	\$ 230,000	\$ 0	\$ 401,205	\$ 841,205
2016	130,000	0	0	0	43,264	589,401	762,665
2017	130,000	0	0	0	31,735	604,305	766,040
2018	130,000	0	0	235,000	0	391,035	756,035
2019	135,000	0	0	235,000	0	642,130	1,012,130
2020-2024	275,000	0	34,999	1,345,000	0	2,144,676	3,799,675
2025-2029	295,000	480,000	0	585,000	0	2,834,227	4,194,227
2030-2034	0	940,000	0	0	0	1,293,750	2,233,750
2035-2039	0	1,150,000	0	0	0	1,075,343	2,225,343
2040-2044	0	1,430,000	0	0	0	789,939	2,219,939
2045-2049	0	1,785,000	0	0	0	419,306	2,204,306
2050-2051	0	840,000	0	0	0	40,375	880,375
Totals	\$ 1,305,000	\$ 6,625,000	\$ 34,999	\$ 2,630,000	\$ 74,999	\$ 11,225,692	\$ 21,895,690

**Special Assessment Debt – Water Line** - During October 1995, the School District entered into contract with the Allen Water District to construct a water main to supply city water services to the School District's facilities. Installation was completed in September 1996. The cost to the School District was \$225,000. The unpaid balance under the contract was certified to Allen County Auditor for collection as a special assessment in fiscal year 1998. The contract with the Water District also allows the School District to receive from the Allen Water District, 95 percent of any tap fees collected for a period of ten years or a maximum of \$170,000.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

The special assessments will be paid semi-annually from the permanent improvement capital projects fund. As of June 30, 2014, the principal balance outstanding is \$64,680. Principal and interest requirements to retire the special assessment outstanding at June 30, 2014, are as follows:

<b>Fiscal Year</b>	<b>Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>		
2015	\$	6,075	\$	3,842	\$	9,917
2016		6,436		3,481		9,917
2017		6,818		3,099		9,917
2018		7,224		2,694		9,918
2019		7,653		2,265		9,918
2020-2023		30,474		4,325		34,799
<b>Totals</b>	<b>\$</b>	<b>64,680</b>	<b>\$</b>	<b>19,706</b>	<b>\$</b>	<b>84,386</b>

**Special Assessment Debt – Sewer System** - During November 2008, the School District entered into a contract with the Board of County Commissioners, Allen County, Ohio to construct, operate, and maintain sanitary sewer facilities. Installation was completed in May of 2009. The cost to the School District was \$484,480. The unpaid balance was certified to the Allen County Auditor for collection as a special assessment beginning in fiscal year 2010. Allen County finalized the debt agreement with OWDA for this project in fiscal year 2010. The amounts presented in the fiscal year 2009 note were based on estimates. As of June 30, 2014, the principal balance outstanding is \$394,937.

Principal and interest requirements to retire the special assessment outstanding at June 30, 2014, are as follows:

<b>Fiscal Year</b>	<b>Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>		
2015	\$	21,449	\$	13,325	\$	34,774
2016		22,189		12,585		34,774
2017		22,954		11,820		34,774
2018		23,746		11,028		34,774
2019		24,565		10,209		34,774
2020-2024		136,133		37,736		173,869
2025-2029		143,901		12,582		156,483
<b>Totals</b>	<b>\$</b>	<b>394,937</b>	<b>\$</b>	<b>109,285</b>	<b>\$</b>	<b>504,222</b>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**12. FUND BALANCE**

Fund balance is classified as non-spendable, 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 governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Nonspendable:					
Unclaimed Monies	\$ 677	\$ 0	\$ 0	\$ 0	\$ 677
Restricted for:					
Debt Service	0	644,422	0	0	644,422
Capital Outlay	0	0	7,035,878	1,202,878	8,238,756
Classroom Facilities Maintenance	0	0	0	30,391	30,391
Food Service Operations	0	0	0	179,296	179,296
Extracurricular Activities	0	0	0	40,215	40,215
Trust	0	0	0	49,701	49,701
Schoolnet	0	0	0	593	593
Help Line	0	0	0	411	411
Race to the Top	0	0	0	300	300
Title I	0	0	0	21,341	21,341
Title VI -B	0	0	0	3,466	3,466
Total Restricted	<u>0</u>	<u>644,422</u>	<u>7,035,878</u>	<u>1,528,592</u>	<u>9,208,892</u>
Assigned for:					
Subsequent Year Appropriations	707,950	0	0	0	707,950
Instruction	17,300	0	0	0	17,300
Support Services	109,048	0	0	0	109,048
Extracurricular Activities	589	0	0	0	589
Capital Outlay	200	0	0	0	200
Other Purposes	2,376	0	0	0	2,376
Total Assigned	<u>837,463</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>837,463</u>
Unassigned	<u>1,838,370</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,838,370</u>
Total Fund Balance	<u>\$ 2,676,510</u>	<u>\$ 644,422</u>	<u>\$ 7,035,878</u>	<u>\$ 1,528,592</u>	<u>\$ 11,885,402</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

**13. STATUTORY RESERVES**

The School District is required by state law to set aside certain general fund receipt amounts, as defined, into a reserve. During the fiscal year ended June 30, 2014, the reserve activity was as follows:

	Capital Acquisition
Set-aside restricted balance as of June 30, 2013	\$ 0
Current year set-aside requirement	144,940
Current year qualifying offsets	(151,929)
Total	\$ (6,989)
Balance carried forward to fiscal year 2015	\$ 0
Set-aside restricted balance as of June 30, 2014	\$ 0

Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years. For capital acquisitions, a portion of this extra amount which represents proceeds from bonds, \$12,224,478, may be used to reduce the set-aside requirements for future years.

**14. JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Area Computer Services Cooperative**

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC) which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Putnam, Mercer, Hancock, Van Wert, and Paulding Counties and Cities of Wapakoneta and St. Marys. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member Districts. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member educational entities within each county. Financial information can be obtained from Raymond Burden, who serves as Director, at 645 South Main Street, Lima, Ohio 45804.

**B. Apollo Career Center**

The Apollo Career Center is a distinct political subdivision of the State of Ohio which provides vocational education to students, operates under the direction of a Board consisting of one representative from the educators of each of the participating Districts' elected boards. The Board possesses its own budgeting and taxing authority. To obtain financial information, write to Apollo Career Center, Greg Bukowski, who serves as Treasurer, at 3325 Shawnee Road, Lima, Ohio 45806.

**C. Spencerville, Perry, and Bath Local Professional Development Committee**

The Spencerville, Perry, and Bath Local Professional Development Committee is a consortium operated under the direction of a Board consisting of one representative from the educators of each, along with two administrators from the members chosen by the superintendents. The Committee was formed to review coursework and other professional development activities completed by educators within the Districts and used for the renewal of certificates and licenses. As of June 30, 2014, there was no financial information available for this Committee.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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**D. Northwest Ohio Educational Research Council, Inc.**

The Northwest Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a 25 county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village Districts, five local school districts, and five city school districts, as well as representatives from two private or parochials and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

**15. GROUP INSURANCE PURCHASING POOLS**

**A. Allen County Schools Health Benefit Plan**

The School District participates in the Allen County Schools Health Benefit Plan (the Trust), public entity shared risk pool consisting of the districts within Allen County. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides sick, accident and other benefits to the employees of the participating districts. Each participating District's superintendent is appointed to a Board of Trustees which advises the Trustee, Allied Benefit Systems, Inc., concerning aspects of the administration of the Trust. Each District decides which plans offered the Board of Trustees will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Board of Trustees and payment of the monthly premiums. Financial information can be obtained from Brian Rockhold, who serves as Chairman, at 1920 Slabtown Rd., Lima, Ohio 45804.

**B. Ohio School Plan**

The School District participates in the Ohio School Plan (the Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its member which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a 15 member board consisting of superintendents, treasurers, the president of Harcum-Hyre Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Hyre Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Hyre Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

**C. Sheakley Uniservice, Inc. Worker's Compensation Group Rating Program**

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. Each year, participants pay an enrollment fee to the Plan to cover the costs of administering the program.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

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**16. CONTINGENT LIABILITIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure 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 claim 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 adverse effect on the overall financial position of the School District at June 30, 2014.

**B. Litigation**

The School District is of the opinion that any current or future claims will either result in a favorable outcome or be covered by current insurance policies, so as not to materially affect the overall financial position of the School District.

**C. Other Commitments**

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed or assigned classifications of fund balance. At year end, the School District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Amount</u>
General	\$ 127,137
Permanent Improvement	21,510
Nonmajor Governmental	<u>11,804</u>
	<u>\$ 160,451</u>

**17. SUBSEQUENT EVENT**

During fiscal year 2014, the Perry community voted to support the Perry Local School District with a \$7.965 million bond issue to construct a new K-6 building. This project, in conjunction with the Ohio Facilities Construction Commission, has been hoped for and discussed for a number of years, and with the taxpayer support, the groundbreaking is scheduled for spring 2015 with a total estimated cost of approximately \$15.3 million.

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**PERRY LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Expenditures</b>	<b>Non-Cash Expenditures</b>
<b>United States Department of Agriculture</b>					
(Passed through Ohio Department of Education)					
Child Nutrition Cluster:					
Non-Cash Assistance (Food Distribution)					
School Breakfast Program	10.553		\$172		\$172
National School Lunch Program	10.555		27,635		27,635
Cash Assistance:					
School Breakfast Program	10.553	\$82,927		\$82,927	
National School Lunch Program	10.555	252,156		252,156	
Total Nutrition Cluster		<u>335,083</u>	<u>27,807</u>	<u>335,083</u>	<u>27,807</u>
Total United States Department of Agriculture		<u>335,083</u>	<u>27,807</u>	<u>335,083</u>	<u>27,807</u>
<b>United States Department of Education</b>					
(Passed through Ohio Department of Education)					
Title I Grants to Local Educational Agencies	84.010	240,245		246,169	
Special Education Grants to States	84.027	182,376		182,376	
Rural Education	84.358	14,112		13,609	
Improving Teacher Quality State Grants	84.367	41,357		41,357	
ARRA - Race to the Top Incentive Grants, Recovery Act	84.395	1,050		1,250	
Total United States Department of Education		<u>479,140</u>		<u>484,761</u>	
Total Federal Financial Assistance		<u>\$814,223</u>	<u>\$27,807</u>	<u>\$819,844</u>	<u>\$27,807</u>

*See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures.*

**PERRY LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE 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 School District) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

The School District reports commodities consumed on the Schedule at the entitlement value. The School District allocated donated food commodities to the respective programs 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  
Allen County  
2770 East Breese Road  
Lima, Ohio 45806

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, each major fund, and the aggregate remaining fund information of the Perry Local School District, Allen County, (the School District) as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 22, 2015, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

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

As part of our financial statement audit, we considered the School 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 School 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 School 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 School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-001.

***Entity's Response to Findings***

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the School District's response and, accordingly, we express no opinion on it.

***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 School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

January 22, 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  
Allen County  
2770 East Breese Road  
Lima, Ohio 45806

To the Board of Education:

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

We have audited the Perry Local School District's (the School 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 Perry Local School District's major federal program for the fiscal year ended June 30, 2014. The *Summary of Audit Results* in the accompanying schedule of findings identifies the School District's major federal program.

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

The School 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 School District's compliance for the School 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 School 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 School District's major program. However, our audit does not provide a legal determination of the School 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 fiscal year ended June 30, 2014.

**Report on Internal Control Over Compliance**

The School 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 School 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 the 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 School 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 tests of internal control over compliance 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

January 22, 2015



**PERRY LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

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

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Title I Grants to Local Educational Agencies – CFDA #84.010
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

**FINDING NUMBER 2014-001**

**Noncompliance Citation**

**Ohio Rev. Code § 117.38** provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03 further clarifies the requirements of Ohio Rev. Code § 117.38.

**Ohio Adm. Code § 117-2-03 (B)** requires all school districts to file annual financial reports in accordance with generally accepted accounting principles (GAAP). The School District prepared its financial statements in accordance with the cash accounting basis. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code §117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The School District should prepare the financial statements according to generally accepted accounting principles to provide the users with more complete and meaningful financial statements.

**OFFICIALS' RESPONSE:** The Perry Board of Education continues to support their decision in processing the OCBOA statements as a means to save time and money for the School District.

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

**None**

**PERRY LOCAL SCHOOL DISTRICT  
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2013-001	<b>Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B)</b> – The School District failed to prepare financial statements in accordance with GAAP	No	Not Corrected, repeated as Finding Number 2014-001
2013-002	<b>34 CFR 80.21 (c), 34 CFR 80.20 (b), 34 CFR 80.20 (b) (7), Ohio Department of Education CCIP Note #284 and Ohio Department of Education Project Cash Request Instructions</b> – Errors were identified on project cash requests completed for the Title 1 Grants to Local Educational Agencies – CFDA #84.010.	Yes	

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# Dave Yost • Auditor of State

**PERRY LOCAL SCHOOL DISTRICT**

**ALLEN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 17, 2015**