



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 cash basis financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of Perry Local School District, Allen County, Ohio (the School District), as of and for the fiscal year ended June 30, 2016, 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.

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***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 Perry Local School District, Allen County, Ohio, as of June 30, 2016, 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. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

***Other Matters***

*Supplemental Information*

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this 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, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Other Information*

We applied no procedures to Management's Discussion & Analysis as listed in the table of contents. Accordingly, 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 May 26, 2017, 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 initial "D".

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

May 26, 2017

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**Perry Local School District**  
**Allen County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*(Unaudited)*

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The discussion and analysis of the Perry Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

***Financial Highlights***

Key financial highlights for fiscal year 2016 are as follows:

- In total, net position decreased \$4,756,499, mostly due to an increase in capital outlay disbursements as a result of the building project.
- Outstanding debt decreased from \$11,713,827 to \$11,452,729 due to principal payments made by the School District.

***Using this Annual Report***

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

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School District. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. For fiscal year 2016, the general fund and classroom facilities fund are the School District's most significant funds.

***Basis of Accounting***

The School District has elected to present its financial statements on the cash basis of accounting. This cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions.

Essentially, the only assets reported on this strictly cash receipt and disbursement basis presentation in a statement of net position will be cash and cash equivalents. The statement of activities reports cash receipts and disbursements, or in other words, the sources and uses of cash and cash equivalents. Therefore, when reviewing the financial information and discussion within this annual report, the reader should 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, 2016*  
(Unaudited)  
(Continued)

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

*Statement of Net Position and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2016?" The statement of net position and the statement of activities answer this question.

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

In the statement of net position and the statement of activities, governmental activities include the School District's programs and services, including instruction, support services, extracurricular activities and food service operations.

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

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds include the general fund and the classroom facilities fund.

**Governmental Funds** - All of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

***Reporting the School District's Fiduciary Responsibilities***

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

**Perry Local School District**  
**Allen County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*(Unaudited)*  
*(Continued)*

**The School District as a Whole**

Table 1 provides a summary of the School District's net position for fiscal year 2016 compared to 2015.

**(Table 1)**  
**Net Position – Cash Basis**

	Governmental Activities	
	2016	2015
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 8,671,929	\$ 13,428,428
<i>Total Assets</i>	<u>8,671,929</u>	<u>13,428,428</u>
<b>Net Position</b>		
Restricted for:		
Capital Outlay	4,218,354	9,612,469
Debt Service	675,177	706,099
Other Purposes	398,756	363,569
Unrestricted	<u>3,379,642</u>	<u>2,746,291</u>
<i>Total Net Position</i>	<u>\$ 8,671,929</u>	<u>\$ 13,428,428</u>

Cash and cash equivalents of the governmental activities decreased \$4,756,499, which represents a 35 percent decrease from fiscal year 2015. The decrease is the result of an increase in capital outlay disbursements for the building project, in which receipts were received in a prior year.

A portion of the School District's net position, \$5,292,287 or 61 percent, represent resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net position of \$3,379,642 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, 2016*  
*(Unaudited)*  
*(Continued)*

Table 2 shows the changes in net position for fiscal year 2016 as compared to fiscal year 2015.

**(Table 2)**  
**Changes in Net Position – Cash Basis**

	Governmental Activities	
	2016	2015
<b>Receipts</b>		
<b>Program Receipts</b>		
Charges for Services and Sales	\$ 2,516,000	\$ 2,360,281
Operating Grants, Contributions and Interest	1,015,981	992,435
Capital Grants, Contributions and Interest	4,003	5,173
<b>Total Program Receipts</b>	<b>3,535,984</b>	<b>3,357,889</b>
<b>General Receipts</b>		
Property Taxes	3,764,021	3,772,485
Grants and Entitlements not Restricted to Specific Programs	2,937,508	2,695,020
Grants and Entitlements not Restricted - OFCC Project	5,310,821	1,620,253
Payments in Lieu of Taxes	116,968	0
Proceeds of Tax Anticipation Notes	0	123,000
Proceeds of General Obligation Bonds	62,864	625,000
Premium on Debt Issuance	0	20,005
Investment Earnings	42,985	43,202
Miscellaneous	39,880	48,403
<b>Total General Receipts</b>	<b>12,275,047</b>	<b>8,947,368</b>
<b>Total Receipts</b>	<b>15,811,031</b>	<b>12,305,257</b>
<b>Program Disbursements</b>		
Instruction:		
Regular	3,386,916	3,276,370
Special	1,137,857	994,937
Student Intervention Services	1,709	1,744
Other	678,579	838,559
Support Services:		
Pupils	566,237	507,527
Instructional Staff	156,031	243,730
Board of Education	21,724	29,320
Administration	613,691	609,616
Fiscal	261,756	284,935
Operation and Maintenance of Plant	768,160	781,694
Pupil Transportation	349,536	436,008
Central	97,026	0
Operation of Non-Instructional Services:		
Food Service Operations	480,198	451,070
Extracurricular Activities	300,355	285,894
Capital Outlay	10,876,155	1,114,925
Debt Service:		
Principal Retirement	246,889	467,523
Interest and Fiscal Charges	624,711	418,374
Issuance Costs	0	20,005
<b>Total Program Disbursements</b>	<b>20,567,530</b>	<b>10,762,231</b>
<b>Change in Net Position</b>	<b>(4,756,499)</b>	<b>1,543,026</b>
<b>Net Position Beginning of Year</b>	<b>13,428,428</b>	<b>11,885,402</b>
<b>Net Position End of Year</b>	<b>\$ 8,671,929</b>	<b>\$ 13,428,428</b>

The increase in capital outlay of \$9,761,230 is due to the ongoing OFCC building project. During fiscal year 2016, the School District made several draws for the ongoing OFCC project for the K-6 building.

**Perry Local School District**  
**Allen County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
(Unaudited)  
(Continued)

The draws for this project resulted in a \$3,690,568 increase in grants and entitlements not restricted – OFCC Project during fiscal year 2016. In fiscal year 2015, the School District issued \$625,000 in energy conservation bonds for the purpose of financing the School Energy Conversation project while only \$62,864 of general obligation bonds issued in fiscal year 2016, causing the offsetting decrease in general receipts.

**Governmental Activities**

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**(Table 3)**  
**Governmental Activities – Cash Basis**

	Total Costs of Services		Net Costs of Services	
	2016	2015	2016	2015
<b><i>Program Disbursements</i></b>				
Instruction:				
Regular	\$ 3,386,916	\$ 3,276,370	\$ 968,038	\$ 1,014,844
Special	1,137,857	994,937	724,378	531,066
Student Intervention Services	1,709	1,744	1,709	1,744
Other	678,579	838,559	678,579	838,559
Support Services:				
Pupils	566,237	507,527	469,655	424,313
Instructional Staff	156,031	243,730	155,917	243,708
Board of Education	21,724	29,320	21,724	29,320
Administration	613,691	609,616	594,655	596,010
Fiscal	261,756	284,935	261,469	284,909
Operation and Maintenance of Plant	768,160	781,694	766,794	780,188
Pupil Transportation	349,536	436,008	347,229	429,659
Central	97,026	0	93,426	0
Operation of Non-Instructional Services:				
Food Service Operations	480,198	451,070	1,445	9,394
Extracurricular Activities	300,355	285,894	202,776	204,974
Capital Outlay	10,876,155	1,114,925	10,872,152	1,109,752
Debt Service:				
Principal Retirement	246,889	467,523	246,889	467,523
Interest and Fiscal Charges	624,711	418,374	624,711	418,374
Issuance Costs	0	20,005	0	20,005
<b><i>Total</i></b>	<b>\$ 20,567,530</b>	<b>\$ 10,762,231</b>	<b>\$ 17,031,546</b>	<b>\$ 7,404,342</b>

**Perry Local School District**  
**Allen County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
(Unaudited)  
(Continued)

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The dependence upon tax revenues and general revenue entitlements from the state for governmental activities is apparent. Program revenues only account for 17 percent of all governmental expenses. The community is the largest area of support for the School District students.

***The School District's Funds***

The School District's governmental funds are accounted for using the cash basis of accounting.

The School District's governmental funds reported a combined fund balance of \$8,671,929, which is lower than the prior year balance of \$13,428,428.

The general fund's fund balance increased \$633,351 in 2016 primarily from an increase in property taxes from an increase in assessed values, paired with an increase in state funding. Disbursements stayed in line with the prior year.

The classroom facilities fund's fund balance decreased \$4,312,349 in 2016. The decrease in fund balance is primarily due to the timing of the collection of receipts as compared to the project disbursements.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2016, the School District amended its general fund budget. For the general fund, final budget basis receipts (excluding other financing sources) were \$8,506,450, representing an increase of \$757,350 from the original estimate of \$7,749,100. All revenue sources contributed to the increase in budgeted receipts. Actual receipts of \$8,400,086 were \$106,364 lower than the final budget, mostly attributed to receiving less property and other local taxes and miscellaneous revenue than anticipated, however these were offset by payments in lieu of taxes.

For fiscal year 2016, the general fund final budget basis disbursements (excluding other financing uses) were \$8,056,163, which is over the original budgeted disbursements of \$7,590,560. Actual disbursements of \$7,924,565 were \$131,598 lower than the final budget due to a slight overestimation of disbursements.

There were no significant variances to discuss within other financing sources and uses.

**Perry Local School District**  
**Allen County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
(Unaudited)  
(Continued)

***Debt Administration***

The School District had the following long-term obligations outstanding at June 30, 2016 and 2015.

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

	Governmental Activities	
	2016	2015
2010 School Improvement Refunding Bonds	\$ 2,609,501	\$ 2,755,613
2014 School Improvement Bonds	7,673,895	7,778,120
2016 School Improvements Bonds	62,864	0
2015 School Energy Conservation Bonds	580,000	625,000
2015 Permanent Improvement Tax Anticipation Note	123,000	123,000
Water Line Assessment	52,169	58,605
Sewer Line Assessment	351,300	373,489
<b>Total</b>	<b>\$ 11,452,729</b>	<b>\$ 11,713,827</b>

For further information regarding the School District's debt, refer to Note 10 of the basic financial statements.

***Current Issues***

Perry Local School District relies heavily on the support of the local community and its taxpayers. In 2015 the taxpayers supported the renewal of a 4.9 mill Current Expense 5-yr. renewal levy. On the ballot for Nov. 8, 2016 is a 1.5 mill Permanent Improvement 5-yr. renewal 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. 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 project broke ground in April, 2015 and is currently being completed and ready for the 2016-17 school year.

Open enrollment continues to play an important factor in the growth and sustainment of Perry Local Schools. In fiscal year 2016, the School District received over \$2.3 million in open enrollment funding.

After many years of planning, in March, 2015, the District entered into a HB264 Energy Conservation Project with H.E.A.T. Total Facility Solutions, Inc. The project includes new indoor lighting for the high school, new temperature control system, new high-efficiency boiler, and new football lighting. The project was funded with a \$625,000 bond, a \$123,000 Tax Anticipation Note, and a \$62,864 general fund advance. The advance was paid back in June, 2016 with a School Improvement Bond after more debt capability became available. The football lights were in place for the 2015 season, and the high school lighting part of the project was just finished in July. The last payment to H.E.A.T. was made in July, 2016.

**Perry Local School District**  
**Allen County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*(Unaudited)*  
*(Continued)*

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With help from a \$30,000 donation from a partnership with Bob Evans Foods, the district will buy laptops for grades 4-12 to be used with a one-on-one program. The program will help bring much-needed technology into the classrooms.

Perry Local 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 begins to operate the new elementary school building. There is always 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 show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Esther Ruhe, Treasurer of Perry Local School District, 2770 E. Breese Road, Lima, OH 45806 or [treasurer@mycommodores.org](mailto:treasurer@mycommodores.org).

**Perry Local School District**  
**Allen County, Ohio**  
*Statement of Net Position - Cash Basis*  
*June 30, 2016*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 8,671,929
<i>Total Assets</i>	<u>\$ 8,671,929</u>
<b>Net Position</b>	
Restricted for:	
Capital Outlay	\$ 4,218,354
Debt Service	675,177
Other Purposes	398,756
Unrestricted	<u>3,379,642</u>
<i>Total Net Position</i>	<u>\$ 8,671,929</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, 2016*

	Program Cash Receipts				Net (Disbursements)
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Receipts and Changes in Net Position
					Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$ 3,386,916	\$ 2,333,815	\$ 85,063	\$ 0	\$ (968,038)
Special	1,137,857	1,891	411,588	0	(724,378)
Student Intervention Services	1,709	0	0	0	(1,709)
Other	678,579	0	0	0	(678,579)
Support Services:					
Pupils	566,237	0	96,582	0	(469,655)
Instructional Staff	156,031	0	114	0	(155,917)
Board of Education	21,724	0	0	0	(21,724)
Administration	613,691	19,036	0	0	(594,655)
Fiscal	261,756	0	287	0	(261,469)
Operation and Maintenance of Plant	768,160	0	1,366	0	(766,794)
Pupil Transportation	349,536	0	2,307	0	(347,229)
Central	97,026	0	3,600	0	(93,426)
Operation of Non-Instructional Services:					
Food Service Operations	480,198	99,829	378,924	0	(1,445)
Extracurricular Activities	300,355	61,429	36,150	0	(202,776)
Capital Outlay	10,876,155	0	0	4,003	(10,872,152)
Debt Service:					
Principal Retirement	246,889	0	0	0	(246,889)
Interest and Fiscal Charges	624,711	0	0	0	(624,711)
<i>Total Governmental Activities</i>	<u>\$ 20,567,530</u>	<u>\$ 2,516,000</u>	<u>\$ 1,015,981</u>	<u>\$ 4,003</u>	<u>(17,031,546)</u>

**General Receipts**

Property Taxes Levied for:

General Purposes	2,940,199
Debt Service	664,329
Capital Outlay	103,172
Classroom Facilities Maintenance	56,321
Grants and Entitlements not Restricted to Specific Programs	2,937,508
Grants and Entitlements not Restricted - OFCC Project	5,310,821
Payments in Lieu of Taxes	116,968
Proceeds of General Obligation Bonds	62,864
Investment Earnings	42,985
Miscellaneous	39,880

*Total General Receipts*

12,275,047

Change in Net Position

(4,756,499)

*Net Position Beginning of Year*

13,428,428

*Net Position End of Year*

\$ 8,671,929

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, 2016*

	<u>General</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	\$ 3,380,096	\$ 3,429,347	\$ 1,862,486	\$ 8,671,929
<i>Total Assets</i>	<u>\$ 3,380,096</u>	<u>\$ 3,429,347</u>	<u>\$ 1,862,486</u>	<u>\$ 8,671,929</u>
<b>Fund Balances</b>				
Nonspendable	\$ 454	\$ 0	\$ 0	\$ 454
Restricted	0	3,429,347	1,862,486	5,291,833
Assigned	231,061	0	0	231,061
Unassigned	3,148,581	0	0	3,148,581
<i>Total Fund Balances</i>	<u>\$ 3,380,096</u>	<u>\$ 3,429,347</u>	<u>\$ 1,862,486</u>	<u>\$ 8,671,929</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, 2016*

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property and Other Local Taxes	\$ 2,940,199	\$ 0	\$ 823,822	\$ 3,764,021
Intergovernmental	2,946,531	5,310,821	942,870	9,200,222
Interest	18,296	23,033	6,539	47,868
Tuition and Fees	2,335,279	0	0	2,335,279
Rent	427	0	80	507
Extracurricular Activities	19,036	0	61,350	80,386
Gifts and Donations	27,183	0	36,023	63,206
Charges for Services	0	0	99,830	99,830
Payments in Lieu of Taxes	116,968	0	0	116,968
Miscellaneous	36,406	0	3,474	39,880
<i>Total Receipts</i>	<u>8,440,325</u>	<u>5,333,854</u>	<u>1,973,988</u>	<u>15,748,167</u>
<b>Disbursements</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	3,299,203	0	87,713	3,386,916
Special	832,992	0	304,865	1,137,857
Student Intervention Services	1,709	0	0	1,709
Other	678,579	0	0	678,579
<b>Support Services:</b>				
Pupils	468,952	0	97,285	566,237
Instructional Staff	152,997	0	3,034	156,031
Board of Education	21,724	0	0	21,724
Administration	613,691	0	0	613,691
Fiscal	249,869	0	11,887	261,756
Operation and Maintenance of Plant	765,530	0	2,630	768,160
Pupil Transportation	349,536	0	0	349,536
Central	93,426	0	3,600	97,026
Extracurricular Activities	207,636	0	92,719	300,355
<b>Operation of Non-Instructional Services:</b>				
Food Service Operations	0	0	480,198	480,198
Capital Outlay	6,885	9,646,203	1,223,067	10,876,155
<b>Debt Service:</b>				
Principal Retirement	0	0	246,889	246,889
Interest and Fiscal Charges	0	0	624,711	624,711
<i>Total Disbursements</i>	<u>7,742,729</u>	<u>9,646,203</u>	<u>3,178,598</u>	<u>20,567,530</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>697,596</u>	<u>(4,312,349)</u>	<u>(1,204,610)</u>	<u>(4,819,363)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds of General Obligation Bonds	0	0	62,864	62,864
Transfers In	0	0	64,245	64,245
Transfers Out	(64,245)	0	0	(64,245)
<i>Total Other Financing Sources (Uses)</i>	<u>(64,245)</u>	<u>0</u>	<u>127,109</u>	<u>62,864</u>
<i>Net Change in Fund Balances</i>	633,351	(4,312,349)	(1,077,501)	(4,756,499)
<i>Fund Balances Beginning of Year</i>	<u>2,746,745</u>	<u>7,741,696</u>	<u>2,939,987</u>	<u>13,428,428</u>
<i>Fund Balances End of Year</i>	<u>\$ 3,380,096</u>	<u>\$ 3,429,347</u>	<u>\$ 1,862,486</u>	<u>\$ 8,671,929</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, 2016*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$ 2,938,400	\$ 3,078,100	\$ 2,940,199	\$ (137,901)
Intergovernmental	2,617,300	2,950,450	2,946,531	(3,919)
Interest	10,600	17,600	18,270	670
Tuition and Fees	2,180,300	2,323,300	2,327,335	4,035
Rent	400	400	427	27
Gifts and Donations	100	19,100	19,776	676
Payments in Lieu of Taxes	0	0	116,968	116,968
Miscellaneous	2,000	117,500	30,580	(86,920)
<i>Total Receipts</i>	<u>7,749,100</u>	<u>8,506,450</u>	<u>8,400,086</u>	<u>(106,364)</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	3,228,900	3,292,400	3,292,168	232
Special	743,400	851,100	832,992	18,108
Student Intervention Services	0	2,000	1,709	291
Other	790,500	763,500	678,579	84,921
Support Services:				
Pupils	420,600	472,400	469,316	3,084
Instructional Staff	141,400	155,000	154,476	524
Board of Education	28,000	34,535	34,398	137
Administration	613,200	607,300	602,687	4,613
Fiscal	250,600	250,250	250,034	216
Operation and Maintenance of Plant	766,160	865,660	864,133	1,527
Pupil Transportation	382,800	439,720	436,126	3,594
Central		96,048	93,426	2,622
Extracurricular Activities	218,600	219,350	207,636	11,714
Capital Outlay	6,400	6,900	6,885	15
<i>Total Disbursements</i>	<u>7,590,560</u>	<u>8,056,163</u>	<u>7,924,565</u>	<u>131,598</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>158,540</u>	<u>450,287</u>	<u>475,521</u>	<u>25,234</u>
<b>Other Financing Sources (Uses)</b>				
Refund of Prior Year Expenditures	39,800	4,800	4,406	(394)
Advances In	0	62,864	62,864	0
Advances Out	0	0	(62,864)	(62,864)
Transfers Out	(28,600)	0	(64,245)	(64,245)
<i>Total Other Financing Sources (Uses)</i>	<u>11,200</u>	<u>67,664</u>	<u>(59,839)</u>	<u>(127,503)</u>
<i>Net Change in Fund Balance</i>	169,740	517,951	415,682	(102,269)
<i>Fund Balance Beginning of Year</i>	2,635,691	2,635,691	2,635,691	0
Prior Year Encumbrances Appropriated	91,402	91,402	91,402	0
<i>Fund Balance End of Year</i>	<u>\$ 2,896,833</u>	<u>\$ 3,245,044</u>	<u>\$ 3,142,775</u>	<u>\$ (102,269)</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, 2016*

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 25,934	\$ 28,002
Cash and Cash Equivalents in Segregated Accounts	0	63,364
<i>Total Assets</i>	\$ 25,934	\$ 91,366
 <b>Net Position</b>		
Held in Trust for Scholarships	\$ 25,934	\$ 0
Held for Student Activities	0	28,002
Held for HRA Plan	0	63,364
<i>Total Net Position</i>	\$ 25,934	\$ 91,366

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, 2016*

	Private Purpose Trust
	Scholarship
<b>Additions</b>	
Gifts and Contributions	\$ 5,700
Interest	60
<i>Total Additions</i>	<i>5,760</i>
<b>Deductions</b>	
Scholarships	3,750
<i>Total Deductions</i>	<i>3,750</i>
<i>Change in Net Position</i>	<i>2,010</i>
<i>Net Position Beginning of Year</i>	<i>23,924</i>
<i>Net Position End of Year</i>	<i>\$ 25,934</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, 2016*

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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 classified employees and certificated full-time teaching personnel who provide services to 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 13 and 14 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, 2016  
(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, 2016  
(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.

**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 Facilities Construction 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 net position) 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, 2016*  
*(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 2016, the School District invested in Federal government agency securities, a U.S. Treasury Money Market, certificates of deposit, , and STAR Ohio. Investments, except STAR Ohio, are reported at cost, which approximates market value.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2016.

**Perry Local School District**  
**Allen County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*  
*(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 2016 were \$18,296, which includes \$4,734 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, 2016 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, 2016  
(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 receipts 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 a disbursement 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 disbursements 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, 2016*  
*(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. Pensions**

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**Q. Implementation of New Accounting Policies**

For the fiscal year ended June 30, 2016, the School District has (to the extent it applies to the cash basis of accounting) implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

**Perry Local School District**  
**Allen County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*  
*(Continued)*

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GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the School District.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the School District.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the School District.

GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 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, deferred outflows of resources, liabilities, deferred inflows of resources, net position/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 rather than assigned fund balance (cash basis); 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 fiscal year on the cash basis to the budget basis for the general fund is as follows:

**Perry Local School District  
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For the Fiscal Year Ended June 30, 2016  
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**Net Change in Fund Balance**

	<u>General Fund</u>
Cash Basis	\$ 633,351
Funds Budgeted Elsewhere**	(1,773)
Adjustment for Encumbrances	<u>(215,896)</u>
Budget Basis	<u>\$ 415,682</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 fund 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.

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;

**Perry Local School District  
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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016  
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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 (STAR Ohio and STAR Plus).
8. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 40 percent of the interim moneys available for investment at any one time

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."

**A. Deposits**

At fiscal year end, the carrying amount of the School District's deposits was \$2,936,569, and the bank balance was \$3,074,095. 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, \$966,708 of the School District's bank balance was covered by the Federal Deposit Insurance Corporation, which includes \$403,344 held in a STAR Plus account, and \$2,107,387 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 segregated balance of \$63,364 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, 2016 the School District had the following investments:

**Perry Local School District  
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*Notes to the Basic Financial Statements  
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	Cost as of 06/30/2016	% of Total Investments	Maturities in Years	
			< 1 year	1-3 years
Federal Government Agency Securities:				
Federal National Mortgage Association	\$ 663,555	11.46%	\$ 399,352	\$ 264,203
Federal Home Loan Bank	394,546	6.82%	164,521	230,025
Federal Home Loan Mortgage	584,233	10.09%	0	584,233
Federal Farm Credit Bank	224,575	3.88%	0	224,575
U.S. Treasury Note	199,472	3.45%	0	199,472
Certificates of Deposit	2,706,000	46.74%	2,706,000	0
U.S. Treasury Money Market	13,880	0.24%	13,880	0
STAR Ohio	1,002,985	17.32%	1,002,985	0
<i>Total Investments</i>	<u>\$ 5,789,246</u>	<u>100.00%</u>	<u>\$4,286,738</u>	<u>\$1,502,508</u>

**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.

**Credit Risk** - The federal government agency securities carry a rating of AA+ by S&P Global Ratings. The U.S. Treasury Money Market carries a rating of AA+ by S&P Global Ratings. STAR Ohio 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 STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. As of June 30, 2016, STAR Ohio had an average of maturity of 49 days and carried a rating of AA+ by S&P Global Ratings.

**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.

## 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.

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For the Fiscal Year Ended June 30, 2016  
(Continued)*

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 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State law at 35 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 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2014, were levied after April 1, 2015 and are collected in 2016 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from 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, 2016, are available to finance fiscal year 2016 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 2016 taxes were collected are:

	<b>2015 Second- Half Collections</b>		<b>2016 First- Half Collections</b>	
	Amount	Percent	Amount	Percent
Real Estate	\$ 106,321,990	91.7%	\$ 110,998,680	91.3%
Public Utility/Personal Property	9,665,420	8.3%	10,605,440	8.7%
Total	\$ 115,987,410	100%	\$ 121,604,120	100%
Tax rate per \$1,000 of assessed valuation	\$ 46.46		\$ 47.04	

**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 2016, 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	\$29,851,855
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. The amount for the additional replacement cost for the new elementary building is still yet to be determined.

**Perry Local School District  
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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016  
(Continued)*

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For fiscal year 2016, 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. Beginning in fiscal year 2016, the Plan also offers employee-paid vision 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.

## **8. DEFINED BENEFIT PENSION PLANS**

### ***Net Pension Liability***

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

**Perry Local School District  
Allen County, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016  
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***Plan Description - School Employees Retirement System (SERS)***

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

Age and service requirements for retirement are as follows  
:

	Eligible to Retire on or before August 1, 2017*	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\*Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. SERS did not allocate any employer contributions to the Health Care Fund for fiscal year 2016.

The School District’s contractually required contribution to SERS was \$183,396 for fiscal year 2016.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

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*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*  
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New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of setirvice, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$465,720 for fiscal year 2016.

**Perry Local School District  
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***Net Pension Liability***

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	STRS	SERS	Total
Proportionate Share of the Net Pension Liability	\$ 8,359,112	\$ 1,858,002	\$ 10,217,114
Proportion of the Net Pension Liability	0.03024601%	0.03256170%	

***Actuarial Assumptions - SERS***

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3.00 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

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The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
	100.00 %	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 2,576,381	\$ 1,858,002	\$ 1,253,068

**Changes Between Measurement Date and Report Date**

In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the School District's net pension liability is expected to be significant.

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**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increase	2.75 percent at 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2.00 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year, for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
	<u>100.00 %</u>	

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

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***Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 11,611,438	\$ 8,359,112	\$ 5,608,786

**9. POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, SERS did not allocate any employer contributions to the Health Care fund. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2016, 2015, and 2014 were \$16,564, \$25,787 and \$16,866, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

**B. State Teachers Retirement System**

Plan Description - The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan.

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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016  
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Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2016, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$27,297, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

**10. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2016 were as follows:

	Principal Outstanding 6/30/2015	Additions	Deductions	Principal Outstanding 6/30/2016	Due Within One Year
<b>General Obligation Bonds</b>					
2010 School Improvement Refunding Bonds					
Serial Bonds	\$ 2,400,000	\$ 0	\$ 0	\$ 2,400,000	\$ 0
Capital Appreciation Bonds	74,999	0	43,264	31,735	31,735
Accretion for Capital Bonds	280,614	88,888	191,736	177,766	177,766
Total 2010 Refunding Bonds	2,755,613	88,888	235,000	2,609,501	209,501
2014 School Improvement Bonds					
Term Bonds	6,625,000	0	0	6,625,000	0
Serial Bonds	1,095,000	0	130,000	965,000	130,000
Capital Appreciation Bonds	34,999	0	0	34,999	0
Accretion for Capital Bonds	23,121	25,775	0	48,896	0
Total 2014 School Improvement Bonds	7,778,120	25,775	130,000	7,673,895	130,000
2016 School Improvement Bonds					
Term Bonds	0	62,864	0	62,864	0
Total 2016 School Improvement Bonds	0	62,864	0	62,864	0
				0	
2015 School Energy Conservation Bonds					
Term Bonds	625,000	0	45,000	580,000	35,000
Total 2015 School Energy Conservation Bonds	625,000	0	45,000	580,000	35,000
Total General Obligation Bonds	11,158,733	177,527	410,000	10,926,260	374,501
<b>Tax Anticipation Note:</b>					
Permanent Improvement Note	123,000	0	0	123,000	61,500
Total Tax Anticipation Note	123,000	0	0	123,000	61,500
<b>Special Assessment Debt:</b>					
Water Line Assessment	58,605	0	6,436	52,169	6,818
Sewer Line Assessment	373,489	0	22,189	351,300	22,954
Total Special Assessment Debt	432,094	0	28,625	403,469	29,772
<b>Total Long-Term Obligations</b>	<b>\$ 11,713,827</b>	<b>\$ 177,527</b>	<b>\$ 438,625</b>	<b>\$ 11,452,729</b>	<b>\$ 465,773</b>

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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 matured 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. \$235,000 of the capital appreciation bonds matured in fiscal year 2016, with the remaining capital appreciation bonds maturing in the amount of \$240,000 in fiscal year 2017.

Capital appreciation bonds are not subject to redemption prior to maturity. At June 30, 2016 the accreted value of the capital appreciation bonds was \$209,501. 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  
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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016  
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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.

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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:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
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, 2016 the accreted value of the capital appreciation bonds was \$83,895. 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.

**2016 School Improvement Bonds:** On June 28, 2016, the School District issued \$62,864 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 \$62,864 term bonds that have an interest rate of 2.50 percent. The bonds mature each year beginning in 2017 and ending in 2021.

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2017	\$ 0
2018	12,573
2019	12,573
2020	12,573
2021	12,573
2022	12,573

**2015 School Energy Conservation Bonds:** On June 17, 2015, the School District issued \$625,000 in general obligation bonds for the purpose of financing the School Energy Conservation project. The project includes the installation of a building automation system, replacement of the boiler, lighting retrofits and lighting on the football field. The bond issue consists of \$625,000 in term bonds. The term bonds have an interest rate of 3.40 percent.

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, 2015 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:

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Year	Principal Amount to be Redeemed
2017	\$35,000
2018	35,000
2019	35,000
2020	35,000
2021	40,000
2022	40,000
2023	40,000
2024	40,000
2025	45,000
2026	45,000
2027	45,000
2028	45,000
2029	50,000
2030	50,000

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2016 are as follows:

Fiscal Year	2016 Issue		2015 Issue		2014 Issue			2010 Issue		Interest/ Accretion	Total Amount
	Term	Principal	Term	Principal	Serial Principal	Term Principal	Capital Appreciation	Serial Principal	Capital Appreciation		
Ending	Principal	Principal	Principal	Principal	Principal	Principal	Principal	Principal	Principal	Principal	Principal
2017	\$ 0	\$ 35,000	\$ 130,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 31,735	\$ 624,887	\$ 821,622
2018	12,572	35,000	130,000	0	0	0	235,000	0	0	410,384	822,956
2019	12,573	35,000	135,000	0	0	0	235,000	0	0	659,975	1,077,548
2020	12,573	35,000	0	0	16,147	260,000	0	0	0	508,549	832,269
2021	12,573	40,000	0	0	11,151	265,000	0	0	0	503,948	832,672
2022-2026	12,573	210,000	570,000	0	7,701	1,405,000	0	0	0	1,836,361	4,041,635
2027-2031	0	190,000	0	835,000	0	0	0	0	0	1,413,110	2,438,110
2032-2036	0	0	0	1,015,000	0	0	0	0	0	1,214,056	2,229,056
2037-2041	0	0	0	1,255,000	0	0	0	0	0	969,575	2,224,575
2042-2046	0	0	0	1,560,000	0	0	0	0	0	653,745	2,213,745
2047-2051	0	0	0	1,960,000	0	0	0	0	0	241,537	2,201,537
Totals	\$ 62,864	\$ 580,000	\$ 965,000	\$ 6,625,000	\$ 34,999	\$ 2,400,000	\$ 31,735	\$ 9,036,127	\$ 19,735,725		

**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.

The special assessments will be paid semi-annually from the permanent improvement capital projects fund. As of June 30, 2016, the principal balance outstanding is \$52,169. Principal and interest requirements to retire the special assessment outstanding at June 30, 2016, are as follows:

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<b>Fiscal Year</b>	<b>Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2017	\$	6,818	\$	3,099	\$ 9,917
2018		7,224		2,694	9,918
2019		7,653		2,265	9,918
2020		8,107		1,810	9,917
2021		8,438		1,329	9,767
2021-2023		13,929		1,096	15,025
Totals	\$	52,169	\$	12,293	\$ 64,462

**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, 2016, the principal balance outstanding is \$351,300.

Principal and interest requirements to retire the special assessment outstanding at June 30, 2016, are as follows:

<b>Fiscal Year</b>	<b>Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2017	\$	22,954	\$	11,819	\$ 34,773
2018		23,746		11,028	34,774
2019		24,565		10,209	34,774
2020		25,412		9,362	34,774
2021		26,289		8,485	34,774
2022-2026		145,686		28,183	173,869
2027-2029		82,648		4,287	86,935
Totals	\$	351,300	\$	83,373	\$ 434,673

**Tax Anticipation Note** – In June, 2015, the School District received \$123,000 for the purpose of financing permanent improvements. The note was issued for a two year period with final maturity December 1, 2017. Annual principal payments of \$61,500 plus interest at a rate of 3.00 percent commencing December 1, 2016 will be made throughout the term of the note. The note will be retired from the bond retirement fund.

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*Notes to the Basic Financial Statements  
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Principal and interest requirements to retire the tax anticipation note at June 30, 2016, are as follows:

<b>Fiscal Year</b>	<b>Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2017	\$	61,500	\$	5,289	\$ 66,789
2018		61,500		1,845	63,345
Totals	\$	<u>123,000</u>	\$	<u>7,134</u>	<u>\$ 130,134</u>

**11. 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:

	General	Classroom Facilities	Other Governmental	Total Governmental
<b>Nonspendable:</b>				
Unclaimed Monies	\$ 454	\$ 0	\$ 0	\$ 454
<b>Restricted for:</b>				
Debt Service	0	0	675,177	675,177
Capital Outlay	0	3,429,347	789,007	4,218,354
Classroom Facilities Maintenance	0	0	144,609	144,609
Food Service Operations	0	0	160,349	160,349
Extracurricular Activities	0	0	46,546	46,546
Trust	0	0	42,753	42,753
Schoolnet	0	0	593	593
Help Line	0	0	411	411
Title I	0	0	2,903	2,903
Improving Teacher Quality	0	0	138	138
<b>Total Restricted</b>	<b>0</b>	<b>3,429,347</b>	<b>1,862,486</b>	<b>5,291,833</b>
<b>Assigned for:</b>				
Instruction	6,367	0	0	6,367
Support Services	210,446	0	0	210,446
Other Purposes	9,408	0	0	9,408
Subsequent Year Appropriations	4,840	0	0	4,840
<b>Total Assigned</b>	<b>231,061</b>	<b>0</b>	<b>0</b>	<b>231,061</b>
<b>Unassigned</b>	<b>3,148,581</b>	<b>0</b>	<b>0</b>	<b>3,148,581</b>
<b>Total Fund Balance</b>	<b>\$ 3,380,096</b>	<b>\$ 3,429,347</b>	<b>\$ 1,862,486</b>	<b>\$ 8,671,929</b>

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**12. 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, 2016, the reserve activity was as follows:

	Capital Acquisition
Set-aside restricted balance as of June 30, 2015	\$ 0
Current year set-aside requirement	148,509
Current year qualifying offsets	(174,558)
Total	<u>\$ (26,049)</u>
Balance carried forward to fiscal year 2017	<u>\$ 0</u>
Set-aside restricted balance as of June 30, 2016	<u><u>\$ 0</u></u>

Although the School District had offsets during the fiscal year that reduced the set-aside amount to below zero for the capital improvement set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years.

**13. 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, 2016, there was no financial information available for this Committee

**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

**Perry Local School District  
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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 parochial 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.

**14. 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.

**15. CONTINGENCIES AND COMMITMENTS**

**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, 2016.

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**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	\$ 217,926
Permanent Improvement	71,480
Classroom Facilities	3,308,189
Nonmajor Governmental	16,423
	<u>\$ 3,614,018</u>

**D. Contractual Commitments**

At June 30, 2016, the School District had the following outstanding contractual commitments:

<u>Project</u>	<u>Vendor</u>	<u>Contract Amount</u>	<u>Amount Paid</u>	<u>Amount Remaining</u>
K-6 Elementary Building	Peterson Construction	\$ 12,965,000	\$ 9,900,958	\$ 3,064,042
K-6 Elementary Building	Fanning Howey	1,151,085	954,618	196,467
K-6 Elementary Building	Hill International Inc.	304,340	175,186	129,154
New Bus	Cardinal Bus Sales & Service	78,800	0	78,800
Total		<u>\$ 14,499,225</u>	<u>\$ 11,030,762</u>	<u>\$ 3,468,463</u>

**E. School District Funding**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school districts, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

**16. INTERFUND TRANSFERS**

During fiscal year 2016, the General Fund transferred \$64,245 to the Debt Service Fund to cover disbursements of that fund.

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<b>FEDERAL GRANTOR Pass Through Grantor Program/Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Pass Through to Subrecipients</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>(Passed through Ohio Department of Education)</i>				
<b>Child Nutrition Cluster:</b>				
Non-Cash Assistance (Food Distribution)				
School Breakfast Program	10.553			\$507
National School Lunch Program	10.555			30,501
Cash Assistance:				
School Breakfast Program	10.553			97,705
National School Lunch Program	10.555			272,908
Total Child Nutrition Cluster				<u>401,621</u>
Team Nutrition Grants	10.574			1,200
Total U. S. Department of Agriculture				<u>402,821</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>(Passed through Ohio Department of Education)</i>				
Title 1 Grants to Local Educational Agencies	84.010			271,900
<b>Special Education Cluster (IDEA):</b>				
Special Education_Grants to States	84.027			170,067
Total Special Education Cluster (IDEA)				<u>170,067</u>
Rural Education	84.358			14,647
Improving Teacher Quality State Grants	84.367			33,741
Total U. S. Department of Education				<u>490,355</u>
Total Expenditures of Federal Awards				<u><u>\$893,176</u></u>

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

**PERRY SCHOOL DISTRICT  
ALLEN COUNTY, OHIO**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE A - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Perry Local School District (the School District) under programs of the federal government for the fiscal year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position or changes in net position of the School District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C - 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 D – 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 cash-basis financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of Perry Local School District, Allen County, (the School District) as of and for the fiscal year ended June 30, 2016, 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 May 26, 2017, 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 opinions 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 2016-001.

***Entity's Response to Finding***

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

May 26, 2017



# 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 THE UNIFORM GUIDANCE

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) *Compliance Supplement* that could directly and materially affect the Perry Local School District's major federal program for the fiscal year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

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

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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, 2016.

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**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 the Uniform Guidance, 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 internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



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

May 26, 2017

PERRY LOCAL SCHOOL DISTRICT  
ALLEN COUNTY

SCHEDULE OF FINDINGS  
2 C.F.R. § 200.515  
JUNE 30, 2016

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

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unmodified
<i>(d)(1)(ii)</i>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under 2 C.F.R. § 200.516(a)?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Child Nutrition Cluster School Breakfast Program – CFDA# 10.553 and National School Lunch Program – CFDA# 10.555
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee under 2 C.F.R. § 200.520?</b>	No

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

**FINDINGS NUMBER 2016-001**

**Noncompliance Citation**

**Ohio Rev. Code § 117.38** provides, in part, 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 Admin. Code § 117-2-03(B)** requires all school districts to file annual financial reports which are prepared using generally accepted accounting principles. The School District prepared its financial statements in accordance with the cash accounting basis. The accompanying financial statements omit assets, liabilities, deferred inflows/outflows, 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.

To help provide the users with more meaningful financial statements, the School District should prepare its financial statements in accordance with generally accepted accounting principles.

**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**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
2 CFR 200.511(b)  
JUNE 30, 2016**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2015-001	<b>Ohio Rev. Code § 5705.10 (B)</b> – Property tax receipts were recorded in the wrong funds.	Corrective Action Taken and Finding was fully corrected with a November 30, 2015 correcting entry	N/A
2015-002	<b>Ohio Rev. Code § 117.38 and Ohio Adm. Code § 117-2-03 (B)</b> – Failed to file financial statements prepared using generally accepted accounting principles. This was first reported for the fiscal year ended June 30, 2003.	Not Corrected	Repeated as Finding 2016-001
2015-003	<b>OMB Circular A-133, Subpart C, Section 300(d), and OMB Circular A-133, Subpart C, Section 310(b)(3)</b> – The School District’s Schedule of Federal Receipts and Expenditures contained errors.	Corrective Action was taken and the finding is fully corrected.	N/A

PERRY LOCAL SCHOOL DISTRICT  
ALLEN COUNTY

CORRECTIVE ACTION PLAN  
2 CFR § 200.511 (c)  
JUNE 30, 2016

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2016-001	No Corrective Action is Planned - The School District is aware of this requirement but plans to continue to report on the cash basis in order to save resources.	N/A	Esther Ruhe, Treasurer



# 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  
JUNE 20, 2017**