



OHIO AUDITOR OF STATE  
**KEITH FABER**





**PERRY LOCAL SCHOOL DISTRICT  
STARK COUNTY  
JUNE 30, 2019**

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STARK COUNTY  
JUNE 30, 2018**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Perry Local School District  
Stark County  
4201 13th Street SW  
Massillon, Ohio 44646

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Perry Local School District, Stark County, Ohio (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Perry Local School District, Stark County, Ohio, as of June 30, 2019, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 3 to the financial statements, the District reported an accounting change to properly report cash and investments with escrow agent and bonds payable at June 30, 2018. We did not modify our opinion regarding this matter.

**Other Matters**

*Required Supplementary Information*

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

*Supplementary and Other Information*

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

The Schedule of Receipts and Expenditures of Federal Awards (Schedule) 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 information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2020, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State

Columbus, Ohio

February 12, 2020

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

The management's 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, 2019. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and 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 2019 are as follows:

- In total, net position of governmental activities increased \$5,005,773 which represents a 29.10% increase from June 30, 2018's restated net position.
- General revenues accounted for \$43,577,180 in revenue or 80.92% of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions and capital grants and contributions accounted for \$10,276,224 or 19.08% of total revenues of \$53,853,404.
- The School District had \$48,847,631 in expenses related to governmental activities; \$10,276,224 of these expenses were offset by program specific charges for services and sales, operating grants and contributions and capital grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) were adequate to provide for these programs.
- The general fund had \$48,058,139 in revenues and other financing sources and \$49,180,485 in expenditures. The general fund's fund balance decreased \$1,122,346 from \$18,118,432 to \$16,996,086.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District as a financial whole, an 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, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. The School District has one major fund: the general fund.

**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 2019?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's *net position* and changes in that 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 restricting revenue growth, facility conditions, required educational programs and other factors.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

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

The School District's statement of net position and statement of activities can be found on pages 17-18 of this report.

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

***Fund Financial Statements***

The analysis of the School District's major governmental funds begins on page 12. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the general fund.

***Governmental Funds***

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 19-23 of this report.

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

The School District is the trustee, or fiduciary, for some of its scholarship programs. This activity is presented as a private-purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The School District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 24-25. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 27-67 of this report.

***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the School District's net pension liability and net OPEB liability/asset. The required supplementary information can be found on pages 70-85 of this report.

**The School District as a Whole**

The statement of net position provides the perspective of the School District as a whole.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

The table below provides a summary of the School District's net position at June 30, 2019 and June 30, 2018. The net position at June 30, 2018 has been restated as described in Note 3.C.

	<b>Net Position</b>	
	Governmental Activities	Restated Governmental Activities
	<u>2019</u>	<u>2018</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 46,062,639	\$ 46,088,329
Net OPEB asset	3,358,063	-
Capital assets, net	<u>35,930,990</u>	<u>36,084,468</u>
Total assets	<u>85,351,692</u>	<u>82,172,797</u>
<b><u>Deferred Outflows of Resources</u></b>		
Pension	15,547,333	18,602,648
OPEB	<u>946,952</u>	<u>618,964</u>
Total deferred outflows of resources	<u>16,494,285</u>	<u>19,221,612</u>
<b><u>Liabilities</u></b>		
Current liabilities	5,791,133	5,392,368
Long-term liabilities:		
Due within one year	1,110,849	1,444,443
Due in more than one year:		
Net pension liability	58,820,373	61,723,341
Net OPEB liability	6,308,485	13,882,680
Other amounts	<u>10,927,605</u>	<u>10,891,885</u>
Total liabilities	<u>82,958,445</u>	<u>93,334,717</u>
<b><u>Deferred Inflows of Resources</u></b>		
Property taxes levied for next year	20,554,318	19,746,941
Pension	4,514,152	3,573,137
OPEB	<u>6,012,947</u>	<u>1,939,272</u>
Total deferred inflows of resources	<u>31,081,417</u>	<u>25,259,350</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	28,495,763	28,065,468
Restricted	894,229	3,074,988
Unrestricted	<u>(41,583,877)</u>	<u>(48,340,114)</u>
Total net position	<u>\$ (12,193,885)</u>	<u>\$ (17,199,658)</u>

The net pension liability (NPL) is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and the net OPEB liability/asset is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and net OPEB asset.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability/asset*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability/asset to equal the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability/asset, respectively, not accounted for as deferred inflows/outflows.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2019, the School District's liabilities plus deferred inflows of resources exceeded assets plus deferred outflows of resources by \$12,193,885.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)**

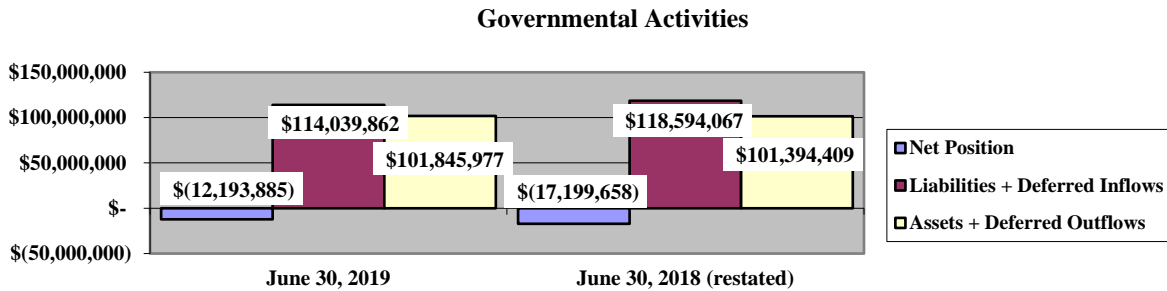
Assets of the School District increased \$3,178,895 or 3.87%. The most significant increase was the reporting of the net OPEB asset related to the State Teachers Retirement System (STRS).

At year-end, capital assets represented 35.28% of total assets and deferred outflows of resources. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets at June 30, 2019, was \$28,495,763. These capital assets are used to provide services to the students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

Liabilities of the School District decreased \$10,376,272 or 11.11%. Long-term liabilities decreased due to a large decrease in net pension liability and net OPEB liability.

A portion of the School District's net position, \$894,229, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$41,583,877.

The graph below shows the School District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2019 and June 30, 2018. The amounts at June 30, 2018 have been restated as described in Note 3.C.



The table below shows the change in net position for fiscal years 2019 and 2018. The net position at June 30, 2018 has been restated as described in Note 3.C.

	<b>Change in Net Position</b>	
	Governmental	Restated
	Activities	Governmental
	2019	Activities
	<u>2019</u>	<u>2018</u>
<b>Revenues</b>		
Program revenues:		
Charges for services and sales	\$ 4,223,114	\$ 4,134,634
Operating grants and contributions	6,023,110	5,966,292
Capital grants and contributions	30,000	89,582
General revenues:		
Property taxes	21,219,102	20,587,342
Payment in lieu of taxes	77,130	55,909
Grants and entitlements	21,281,169	21,411,653
Investment earnings	742,683	72,424
Miscellaneous	257,096	218,864
Total revenues	<u>53,853,404</u>	<u>52,536,700</u>

(Continued)

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

	<b>Change in Net Position (Continued)</b>	
	Governmental	Restated
	Activities	Governmental
	<u>2019</u>	<u>2018</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 19,461,218	\$ 10,821,116
Special	6,589,462	2,975,627
Vocational	2,253,579	1,071,787
Adult/continuing	-	3,320
Other	107,627	47,823
Support services:		
Pupil	3,738,056	1,706,665
Instructional staff	1,025,087	586,552
Board of education	227,698	199,171
Administration	3,272,025	1,667,467
Fiscal	753,301	569,491
Business	196,894	88,976
Operations and maintenance	3,798,273	2,849,113
Pupil transportation	2,267,906	1,473,609
Central	1,053,128	788,123
Operations of non-instructional services:		
Other non-instructional services	306,029	155,591
Food service operations	2,099,694	1,620,606
Extracurricular activities	1,342,607	728,031
Interest and fiscal charges	<u>355,047</u>	<u>331,297</u>
Total expenses	<u>48,847,631</u>	<u>27,684,365</u>
Change in net position	5,005,773	24,852,335
Net position at beginning of year (restated)	<u>(17,199,658)</u>	<u>(42,051,993)</u>
Net position at end of year	<u>\$ (12,193,885)</u>	<u>\$ (17,199,658)</u>

**Governmental Activities**

Net position of the School District's governmental activities increased \$5,005,773. Total governmental expenses of \$48,847,631 were offset by program revenues of \$10,276,224 and general revenues of \$43,577,180. Program revenues supported 21.04% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements from the State. These revenue sources account for 78.92% of total governmental revenue. The most significant increase was in the area of property taxes. The increase in property taxes was due to increased collections throughout the School District due to larger assessed values.

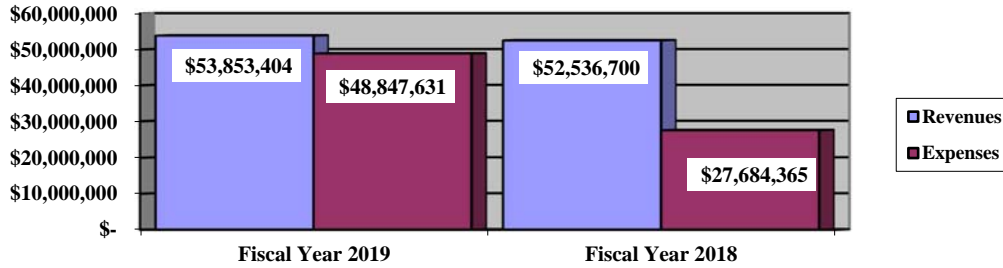
Overall, expenses of the governmental activities increased \$19,273,266 or 69.62%. This increase is primarily the result of the STRS indefinitely suspending the Cost of Living Adjustment ("COLA") and the School Employee Retirement System (SERS) lowering the COLA from 3.00% to 2.50% in fiscal year 2018. These benefit changes caused a decrease to the net pension liability reported at June 30, 2018 and the subsequent expenses reported for fiscal year 2018 when compared to fiscal year 2017.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

The graph below presents the School District's governmental activities revenue and expenses for fiscal years 2019 and 2018.

**Governmental Activities - Revenues and Expenses**



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table 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 grants and entitlements.

**Governmental Activities**

	Total Cost of Services 2019	Net Cost of Services 2019	Total Cost of Services 2018	Net Cost of Services 2018
<b>Program expenses</b>				
Instruction:				
Regular	\$ 19,461,218	\$ 17,119,821	\$ 10,821,116	\$ 8,376,443
Special	6,589,462	2,931,481	2,975,627	(694,633)
Vocational	2,253,579	1,609,533	1,071,787	499,986
Adult/continuing	-	-	3,320	(9,370)
Other	107,627	107,627	47,823	47,823
Support services:				
Pupil	3,738,056	3,435,829	1,706,665	1,459,170
Instructional staff	1,025,087	891,099	586,552	473,274
Board of education	227,698	227,698	199,171	199,171
Administration	3,272,025	3,248,655	1,667,467	1,643,272
Fiscal	753,301	753,301	569,491	569,491
Business	196,894	196,894	88,976	88,976
Operations and maintenance	3,798,273	3,720,223	2,849,113	2,641,796
Pupil transportation	2,267,906	2,180,466	1,473,609	1,449,516
Central	1,053,128	1,052,950	788,123	787,880
Operations of non-instructional services:				
Other non-instructional services	306,029	102,744	155,591	(31,363)
Food service operations	2,099,694	-	1,620,606	(440,302)
Extracurricular activities	1,342,607	900,183	728,031	362,456
Interest and fiscal charges	355,047	92,903	331,297	70,271
<b>Total</b>	<u>\$ 48,847,631</u>	<u>\$ 38,571,407</u>	<u>\$ 27,684,365</u>	<u>\$ 17,493,857</u>

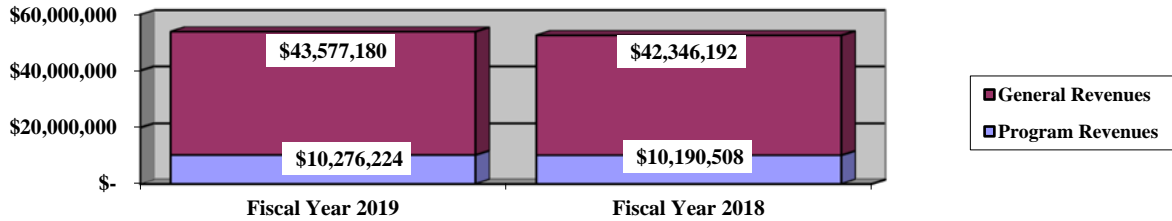
The dependence upon tax and other general revenues for governmental activities is apparent as 76.62% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 78.96%. The School District's taxpayers and unrestricted grants and entitlements are the primary support for School District's students.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

The graph below presents the School District's governmental activities revenue for fiscal years 2019 and 2018.

**Governmental Activities - General and Program Revenues**



**The School District's Funds**

The School District's governmental funds (as presented on the balance sheet on page 19) reported a combined fund balance of \$18,242,960, which is lower than last year's total of \$19,463,672. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2019 and 2018. The fund balance at June 30, 2018 has been restated as described in Note 3.C.

	Fund Balance June 30, 2019	Restated Fund Balance June 30, 2018	Change	Percentage Change
General	\$ 16,996,086	\$ 18,118,432	\$ (1,122,346)	(6.19) %
Other Governmental	1,246,874	1,345,240	(98,366)	(7.31) %
Total	<u>\$ 18,242,960</u>	<u>\$ 19,463,672</u>	<u>\$ (1,220,712)</u>	(6.27) %

**General Fund**

During fiscal year 2019, the School District's general fund balance decreased \$1,122,346.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

The table that follows assists in illustrating the financial activities of the general fund.

	<u>2019</u> <u>Amount</u>	<u>2018</u> <u>Amount</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 20,302,996	\$ 19,563,676	\$ 739,320	3.78 %
Tuition	2,650,774	2,698,622	(47,848)	(1.77) %
Earnings on investments	736,274	71,543	664,731	929.13 %
Intergovernmental	23,800,279	23,802,173	(1,894)	(0.01) %
Other revenues	<u>564,540</u>	<u>584,649</u>	<u>(20,109)</u>	(3.44) %
Total	<u>\$ 48,054,863</u>	<u>\$ 46,720,663</u>	<u>\$ 1,334,200</u>	2.86 %
<b><u>Expenditures</u></b>				
Instruction	\$ 30,031,006	\$ 29,816,056	\$ 214,950	0.72 %
Support services	17,004,317	16,521,452	482,865	2.92 %
Non-instructional services	166,668	120,439	46,229	38.38 %
Extracurricular activities	1,192,739	1,138,966	53,773	4.72 %
Facilities acquisition and construction	492,802	367,636	125,166	34.05 %
Debt service	<u>292,953</u>	<u>611,953</u>	<u>(319,000)</u>	(52.13) %
Total	<u>\$ 49,180,485</u>	<u>\$ 48,576,502</u>	<u>\$ 603,983</u>	1.24 %

Overall revenues of the general fund increased \$1,334,200 or 2.86%. The most increases were in the areas of taxes and earnings on investments. Taxes increased due to an increase in property tax collections as well as an increase in assessed values. Earnings on investments increased due to an increase in interest rates earned on investments.

Expenditures increased \$603,983 or 1.24%. Instructional and support services increased \$214,950 and \$482,865, respectively, due to an increase in wages and benefit costs.

***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 2019, the School District did not amend its general fund revenues budget. For the general fund, original and final revenues and other financing sources were \$46,976,127. Actual revenue and other financing sources of \$47,493,796 were \$517,669 more than the final budgeted amounts.

General fund actual expenditures plus other financing uses of \$49,242,647 were \$275,167 lower than original and final appropriations (appropriated expenditures plus other financing uses) of \$49,517,814.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2019, the School District had \$35,930,990 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

The table that follows shows June 30, 2019 balances compared to June 30, 2018.

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

	Governmental Activities	
	2019	2018
Land	\$ 1,351,979	\$ 1,351,979
Construction in progress	100,227	-
Land improvements	1,594,657	1,676,536
Buildings and improvements	28,873,824	29,223,775
Furniture and equipment	2,460,442	2,508,839
Vehicles	1,549,861	1,323,339
Total	\$ 35,930,990	\$ 36,084,468

The overall decrease of \$153,478 is the result of additions of \$1,199,726, depreciation expense of \$1,347,579 and disposals (net of accumulated depreciation) of \$5,625.

See Note 7 to the basic financial statements for detail on the School District's capital assets.

***Debt Administration***

At June 30, 2019 the School District had \$7,335,000 in bonds and lease purchase agreements outstanding. Of this total, \$702,000 is due within one year and \$6,633,000 is due in more than one year.

The table below summarizes the long-term obligations outstanding. The long-term obligations at June 30, 2018 have been restated as described in Note 3.C.

**Outstanding Debt, at Year End**

	Governmental	Restated
	Activities	Governmental
	2019	2018
2011 HB 264 Qualified School Construction Bonds	\$ 5,185,000	\$ 5,185,000
2017 Lease Purchase Agreement	2,150,000	2,834,000
Total	\$ 7,335,000	\$ 8,019,000

At June 30, 2019, the School District's overall legal debt margin was \$60,526,320 with an unvoted debt margin of \$703,348.

See Note 12 to the basic financial statements for detail on the School District's debt administration.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

**Current Issues**

The School District continues to receive strong support from the residents of the School District. As the preceding information shows, the School District relies heavily on its local property taxpayers. The last operating levy passed by the residents of the School District was in May, 2018; a renewal of an emergency levy. This renewal levy will generate sufficient revenues for a period of 3 years to sustain school operations but the School District was deficit spending during the past several fiscal years and anticipates an additional tax request in the next 3 year period.

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

Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 39.4% of revenues for governmental activities for the School District during fiscal year 2019.

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

Total unrestricted State revenues collected during fiscal year 2019 were \$19,085,139. This was a decrease of \$6,999 from fiscal year 2018. Revenues are anticipated to remain stable in fiscal year 2020.

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

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

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

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

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

STATEMENT OF NET POSITION  
JUNE 30, 2019

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and investments. . . . .	\$ 20,741,182
Receivables:	
Property taxes . . . . .	22,192,011
Accounts. . . . .	7,477
Accrued interest . . . . .	61,072
Intergovernmental . . . . .	410,110
Prepayments . . . . .	77,534
Materials and supplies inventory. . . . .	60,835
Inventory held for resale. . . . .	25,343
Net OPEB asset . . . . .	3,358,063
Cash and investments with escrow agent . . . . .	2,479,318
Accrued interest - escrow agent . . . . .	7,757
Capital assets:	
Nondepreciable capital assets . . . . .	1,452,206
Depreciable capital assets, net. . . . .	34,478,784
Capital assets, net . . . . .	35,930,990
Total assets. . . . .	85,351,692
 <b>Deferred outflows of resources:</b>	
Pension . . . . .	15,547,333
OPEB . . . . .	946,952
Total deferred outflows of resources . . . . .	16,494,285
 <b>Liabilities:</b>	
Accounts payable. . . . .	166,897
Contracts payable. . . . .	100,227
Accrued wages and benefits payable . . . . .	4,504,270
Intergovernmental payable . . . . .	181,494
Pension and postemployment benefits payable . . . . .	809,606
Accrued interest payable . . . . .	27,849
Unearned revenue . . . . .	790
Long-term liabilities:	
Due within one year. . . . .	1,110,849
Due in more than one year:	
Net pension liability . . . . .	58,820,373
Net OPEB liability . . . . .	6,308,485
Other amounts due in more than one year . . . . .	10,927,605
Total liabilities . . . . .	82,958,445
 <b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year. . . . .	20,554,318
Pension. . . . .	4,514,152
OPEB. . . . .	6,012,947
Total deferred inflows of resources . . . . .	31,081,417
 <b>Net position:</b>	
Net investment in capital assets . . . . .	28,495,763
Restricted for:	
Locally funded programs . . . . .	1,215
Federally funded programs . . . . .	82,765
Student activities . . . . .	338,528
Other purposes . . . . .	471,721
Unrestricted (deficit) . . . . .	(41,583,877)
Total net position. . . . .	\$ (12,193,885)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 19,461,218	\$ 2,169,284	\$ 172,113	\$ -	\$ (17,119,821)
Special . . . . .	6,589,462	544,248	3,113,733	-	(2,931,481)
Vocational . . . . .	2,253,579	109,366	534,680	-	(1,609,533)
Other . . . . .	107,627	-	-	-	(107,627)
Support services:					
Pupil. . . . .	3,738,056	27,269	274,958	-	(3,435,829)
Instructional staff . . . . .	1,025,087	6,627	127,361	-	(891,099)
Board of education . . . . .	227,698	-	-	-	(227,698)
Administration. . . . .	3,272,025	-	23,370	-	(3,248,655)
Fiscal. . . . .	753,301	-	-	-	(753,301)
Business. . . . .	196,894	-	-	-	(196,894)
Operations and maintenance . . . . .	3,798,273	12,540	65,510	-	(3,720,223)
Pupil transportation. . . . .	2,267,906	13,652	73,788	-	(2,180,466)
Central . . . . .	1,053,128	178	-	-	(1,052,950)
Operation of non-instructional services:					
Other non-instructional services . . . . .	306,029	125,465	77,820	-	(102,744)
Food service operations . . . . .	2,099,694	837,228	1,262,466	-	-
Extracurricular activities. . . . .	1,342,607	377,257	35,167	30,000	(900,183)
Interest and fiscal charges . . . . .	355,047	-	262,144	-	(92,903)
<b>Total governmental activities . . . . .</b>	<b>\$ 48,847,631</b>	<b>\$ 4,223,114</b>	<b>\$ 6,023,110</b>	<b>\$ 30,000</b>	<b>(38,571,407)</b>
<b>General revenues:</b>					
Property taxes levied for:					
General purposes . . . . .					20,311,319
Capital outlay. . . . .					907,783
Payments in lieu of taxes. . . . .					77,130
Grants and entitlements not restricted					
to specific programs . . . . .					21,281,169
Investment earnings . . . . .					742,683
Miscellaneous . . . . .					257,096
<b>Total general revenues . . . . .</b>					<b>43,577,180</b>
Change in net position . . . . .					5,005,773
<b>Net position at beginning of year (restated)</b>					<b>(17,199,658)</b>
<b>Net position at end of year. . . . .</b>					<b>\$ (12,193,885)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Equity in pooled cash and investments. . . . .	\$ 19,134,399	\$ 1,606,783	\$ 20,741,182
Receivables:			
Property taxes. . . . .	21,207,244	984,767	22,192,011
Accounts . . . . .	7,477	-	7,477
Accrued interest . . . . .	61,072	-	61,072
Intergovernmental. . . . .	285,486	124,624	410,110
Prepayments. . . . .	74,203	3,331	77,534
Materials and supplies inventory. . . . .	48,014	12,821	60,835
Inventory held for resale. . . . .	-	25,343	25,343
Cash and investments with escrow agent . . . . .	2,479,318	-	2,479,318
Accrued interest receivable - escrow agent . . . . .	7,757	-	7,757
Total assets . . . . .	<u>\$ 43,304,970</u>	<u>\$ 2,757,669</u>	<u>\$ 46,062,639</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 152,152	\$ 14,745	\$ 166,897
Contracts payable. . . . .	100,227	-	100,227
Accrued wages and benefits payable . . . . .	4,126,436	377,834	4,504,270
Intergovernmental payable . . . . .	176,157	5,337	181,494
Pension and postemployment benefits payable . . . . .	732,655	76,951	809,606
Unearned revenue. . . . .	-	790	790
Total liabilities. . . . .	<u>5,287,627</u>	<u>475,657</u>	<u>5,763,284</u>
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year. . . . .	19,642,354	911,964	20,554,318
Delinquent property tax revenue not available. . . . .	1,068,085	49,396	1,117,481
Intergovernmental revenue not available. . . . .	-	73,778	73,778
Accrued interest not available. . . . .	34,125	-	34,125
Miscellaneous revenue not available. . . . .	276,693	-	276,693
Total deferred inflows of resources . . . . .	<u>21,021,257</u>	<u>1,035,138</u>	<u>22,056,395</u>
<b>Fund balances:</b>			
Nonspendable:			
Materials and supplies inventory. . . . .	48,014	12,821	60,835
Prepays. . . . .	74,203	3,331	77,534
Unclaimed monies . . . . .	1,537	-	1,537
Restricted:			
Food service operations . . . . .	-	580,659	580,659
Non-public schools . . . . .	-	40,796	40,796
Targeted academic assistance . . . . .	-	8,945	8,945
Other purposes. . . . .	-	1,215	1,215
Extracurricular activities . . . . .	-	338,528	338,528
Committed:			
Capital improvements . . . . .	-	465,417	465,417
Other purposes. . . . .	-	7,752	7,752
Debt service . . . . .	2,487,075	-	2,487,075
Assigned:			
Student instruction . . . . .	102,687	-	102,687
Student and staff support. . . . .	96,311	-	96,311
Extracurricular activities . . . . .	856	-	856
Facilities acquisition and construction . . . . .	37,682	-	37,682
Subsequent year's appropriations . . . . .	4,483,239	-	4,483,239
Other purposes. . . . .	145,033	-	145,033
Unassigned (deficit). . . . .	9,519,449	(212,590)	9,306,859
Total fund balances . . . . .	<u>16,996,086</u>	<u>1,246,874</u>	<u>18,242,960</u>
Total liabilities, deferred inflows and fund balances . . . . .	<u>\$ 43,304,970</u>	<u>\$ 2,757,669</u>	<u>\$ 46,062,639</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2019

<b>Total governmental fund balances</b>		\$	18,242,960
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			35,930,990
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	1,117,481	
Accrued interest receivable		34,125	
Intergovernmental receivable		73,778	
Miscellaneous receivable		276,693	
Total		1,502,077	1,502,077
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(27,849)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:			
Deferred outflows of resources - pension		15,547,333	
Deferred inflows of resources - pension		(4,514,152)	
Net pension liability		(58,820,373)	
Total		(47,787,192)	(47,787,192)
The net OPEB liability/asset is not due and payable in the current period; therefore, the liability/asset and related deferred inflows/outflows are not reported in governmental funds:			
Deferred outflows of resources - OPEB		946,952	
Deferred inflows of resources - OPEB		(6,012,947)	
Net OPEB asset		3,358,063	
Net OPEB liability		(6,308,485)	
Total		(8,016,417)	(8,016,417)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Energy conservation bonds		(5,185,000)	
Lease purchase agreement		(2,150,000)	
Compensated absences		(4,703,454)	
Total		(12,038,454)	(12,038,454)
<b>Net position of governmental activities</b>		\$	(12,193,885)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Property taxes . . . . .	\$ 20,302,996	\$ 904,496	\$ 21,207,492
Payment in lieu of taxes . . . . .	77,130	-	77,130
Tuition . . . . .	2,650,744	-	2,650,744
Transportation fees . . . . .	5,422	-	5,422
Earnings on investments . . . . .	736,274	13,002	749,276
Charges for services . . . . .	-	837,228	837,228
Extracurricular . . . . .	148,633	352,904	501,537
Classroom materials and fees . . . . .	51,023	-	51,023
Rental income . . . . .	37,395	16,500	53,895
Contributions and donations . . . . .	67,295	67,589	134,884
Contract services . . . . .	30,161	-	30,161
Other local revenues . . . . .	147,511	13,177	160,688
Intergovernmental - intermediate . . . . .	1,540	1,500	3,040
Intergovernmental - state . . . . .	23,139,143	689,115	23,828,258
Intergovernmental - federal . . . . .	659,596	2,933,448	3,593,044
Total revenues . . . . .	<u>48,054,863</u>	<u>5,828,959</u>	<u>53,883,822</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	21,827,462	155,362	21,982,824
Special . . . . .	5,632,505	1,612,822	7,245,327
Vocational . . . . .	2,441,051	-	2,441,051
Other . . . . .	129,988	-	129,988
Support services:			
Pupil . . . . .	3,852,594	282,378	4,134,972
Instructional staff . . . . .	973,168	122,028	1,095,196
Board of education . . . . .	225,440	-	225,440
Administration . . . . .	3,587,537	25,355	3,612,892
Fiscal . . . . .	759,980	14,736	774,716
Business . . . . .	219,847	-	219,847
Operations and maintenance . . . . .	3,935,172	66,939	4,002,111
Pupil transportation . . . . .	2,367,373	238,551	2,605,924
Central . . . . .	1,083,206	-	1,083,206
Operation of non-instructional services:			
Other non-instructional services . . . . .	166,668	126,443	293,111
Food service operations . . . . .	-	2,224,332	2,224,332
Extracurricular activities . . . . .	1,192,739	260,450	1,453,189
Facilities acquisition and construction . . . . .	492,802	50,383	543,185
Debt service:			
Principal retirement . . . . .	-	684,000	684,000
Interest and fiscal charges . . . . .	292,953	63,546	356,499
Total expenditures . . . . .	<u>49,180,485</u>	<u>5,927,325</u>	<u>55,107,810</u>
Excess of expenditures over revenues . . . . .	<u>(1,125,622)</u>	<u>(98,366)</u>	<u>(1,223,988)</u>
<b>Other financing sources:</b>			
Proceeds from sale of capital assets . . . . .	3,276	-	3,276
Total other financing sources . . . . .	<u>3,276</u>	<u>-</u>	<u>3,276</u>
Net change in fund balances . . . . .	(1,122,346)	(98,366)	(1,220,712)
<b>Fund balances at beginning of year (restated)</b>	<u>18,118,432</u>	<u>1,345,240</u>	<u>19,463,672</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 16,996,086</u>	<u>\$ 1,246,874</u>	<u>\$ 18,242,960</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

<b>Net change in fund balances - total governmental funds</b>	\$	(1,220,712)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 1,199,726	
Current year depreciation	<u>(1,347,579)</u>	
Total		(147,853)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(5,625)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	11,610	
Tuition	93,104	
Earnings on investments	6,409	
Other revenues	123,485	
Intergovernmental	<u>(247,180)</u>	
Total		(12,572)
Repayment of lease purchase principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		684,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		1,452
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension		4,379,497
OPEB		168,858
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability/net OPEB liability/asset are reported as pension expense/OPEB expense in the statement of activities.		
Pension		(5,472,859)
OPEB		7,017,713
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(386,126)</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>5,005,773</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 20,081,550	\$ 20,081,550	\$ 20,193,034	\$ 111,484
Payment in lieu of taxes. . . . .	70,000	70,000	77,130	7,130
Tuition. . . . .	2,715,656	2,715,656	2,696,898	(18,758)
Transportation fees. . . . .	15,000	15,000	5,422	(9,578)
Earnings on investments . . . . .	329,000	329,000	357,678	28,678
Classroom materials and fees . . . . .	4,900	4,900	5,345	445
Rental income . . . . .	15,000	15,000	12,474	(2,526)
Contributions and donations . . . . .	3,000	3,000	16,588	13,588
Contract services. . . . .	1,000	1,000	4,073	3,073
Other local revenues . . . . .	148,000	148,000	211,780	63,780
Intergovernmental - state . . . . .	23,015,021	23,015,021	23,112,031	97,010
Intergovernmental - federal . . . . .	560,000	560,000	795,615	235,615
Total revenues . . . . .	<u>46,958,127</u>	<u>46,958,127</u>	<u>47,488,068</u>	<u>529,941</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	22,268,176	21,698,547	21,767,621	(69,074)
Special. . . . .	5,320,002	5,522,154	5,677,347	(155,193)
Vocational. . . . .	2,114,682	2,402,565	2,410,978	(8,413)
Other. . . . .	151,283	151,235	132,604	18,631
Support services:				
Pupil. . . . .	3,678,880	3,686,760	3,859,812	(173,052)
Instructional staff . . . . .	1,008,557	1,002,921	973,077	29,844
Board of education . . . . .	309,023	326,926	229,921	97,005
Administration. . . . .	3,827,567	3,836,037	3,597,870	238,167
Fiscal . . . . .	820,192	820,434	759,452	60,982
Business . . . . .	223,284	223,214	220,416	2,798
Operations and maintenance. . . . .	3,939,136	3,967,895	3,878,397	89,498
Pupil transportation . . . . .	2,443,249	2,430,779	2,357,256	73,523
Central. . . . .	1,115,928	1,124,016	1,068,900	55,116
Extracurricular activities. . . . .	1,157,384	1,172,519	1,138,560	33,959
Facilities acquisition and construction . . . .	482,311	493,859	530,483	(36,624)
Debt service:				
Principal . . . . .	365,115	365,000	347,000	18,000
Interest and fiscal charges. . . . .	293,045	292,953	292,953	-
Total expenditures . . . . .	<u>49,517,814</u>	<u>49,517,814</u>	<u>49,242,647</u>	<u>275,167</u>
Excess of expenditures over revenues . . . . .	<u>(2,559,687)</u>	<u>(2,559,687)</u>	<u>(1,754,579)</u>	<u>805,108</u>
<b>Other financing sources:</b>				
Refund of prior year's expenditures . . . . .	3,000	3,000	2,452	(548)
Proceeds from sale of capital assets. . . . .	15,000	15,000	3,276	(11,724)
Total other financing sources . . . . .	<u>18,000</u>	<u>18,000</u>	<u>5,728</u>	<u>(12,272)</u>
Net change in fund balance . . . . .	(2,541,687)	(2,541,687)	(1,748,851)	792,836
<b>Fund balance at beginning of year . . . . .</b>	19,864,504	19,864,504	19,864,504	-
<b>Prior year encumbrances appropriated . . . . .</b>	387,055	387,055	387,055	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 17,709,872</u>	<u>\$ 17,709,872</u>	<u>\$ 18,502,708</u>	<u>\$ 792,836</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2019

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and investments . . . . .	\$ 46,415	\$ 130,147
Prepayments . . . . .	-	16
Total assets. . . . .	46,415	\$ 130,163
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 60
Due to students. . . . .	-	129,641
Undistributed monies . . . . .	-	462
Total liabilities . . . . .	-	\$ 130,163
<b>Net position:</b>		
Held in trust for scholarships . . . . .	46,415	
Total net position. . . . .	\$ 46,415	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Gifts and contributions . . . . .	\$ 42,344
<b>Deductions:</b>	
Scholarships awarded . . . . .	45,000
Change in net position . . . . .	(2,656)
<b>Net position at beginning of year. . . . .</b>	<b>49,071</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 46,415</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Perry Local School District (the "School District") was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a school district as defined by Section 3311.02 of the Ohio Revised Code. The School District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the School District. Average daily membership on, or as of October 1, 2018, was 4,601. The School District employs 339 certified and 264 noncertified employees.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

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 provides financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District does not have any component units.

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

The School District participates in one jointly governed organization and two public entity risk pools. These organizations are the Stark Portage Area Computer Consortium (SPARCC), Stark County Schools Council of Governments Health Benefits Program, and CompManagement Workers' Compensation Group Rating Program. They are presented in Notes 13 and 14.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**B. Basis of Presentation**

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

Government-Wide Financial Statements - The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

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

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

**C. Fund Accounting**

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

**GOVERNMENTAL FUNDS**

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

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



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The other governmental funds of the School District account for (a) grants and other resources whose use is restricted, committed, or assigned to a particular purpose and (b) financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

*FIDUCIARY FUNDS*

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

**D. Measurement Focus**

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

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

The private purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**E. Basis of Accounting**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 5). Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, see Notes 10 and 11 for deferred outflows of resources related the School District's net pension liability and net OPEB liability/asset, respectively.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2019, but which were levied to finance fiscal year 2020 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the School District, see Notes 10 and 11 for deferred inflows of resources related to the School District's net pension liability and net OPEB liability/asset, respectively. These deferred inflows of resources are only reported on the government-wide statement of net position.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

**F. Budgetary Process**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Budgetary modifications at this level require a resolution of the Board of Education. Although the legal level of control was established at the fund level of expenditures, the School District has elected to present budgetary statement comparisons at the fund and function level of expenditures. The Treasurer has been given the authority to allocate Board appropriations to the function and object levels within each fund.

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

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

**G. Cash and Investments**

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

During fiscal year 2019, investments were limited to Federal Farm Credit Bank (FFCB) securities, Federal Home Loan Bank (FHLB) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities, Federal National Mortgage Association (FNMA) securities, U.S. Treasury notes, commercial paper, U.S. Government money market account and State Treasury Asset Reserve of Ohio (STAR Ohio), the State Treasurer's Investment Pool.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

During fiscal year 2019, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2019 amounted to \$736,274 of which approximately \$56,680 was attributable to other funds.

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

**H. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is nonspendable on the fund financial statements by an amount equal to the carrying value of the asset.

**I. Inventory**

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

**J. Capital Assets**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

All reported capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20-75 Years
Buildings and Improvements	7-75 Years
Furniture and Equipment	5-30 Years
Vehicles	12-15 Years

**K. Compensated Absences**

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources that are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds that are reported as a liability in the fund financial statements only to the extent that they normally expected to be repaid with expendable available financial resources. Bonds are recognized as a liability on the fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

**M. Net Position**

Net position represents the difference between all other elements of the statement of net position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments

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

**N. Fund Balance**

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

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

**O. Interfund Activity**

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

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

**P. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans and unpaid amounts for interfund services provided and used are classified as "interfund loans receivables/payables." On fund financial statements, receivables and payables resulting from negative cash balances are classified as "due to/due from other funds". These amounts are eliminated in the governmental activities columns of the statement of net position. At June 30, 2019, there were no interfund balances outstanding.

**Q. Estimates**

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

**R. Pensions/Other Postemployment Benefits (OPEB)**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**S. Fair Value**

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE/RESTATEMENT OF FUND BALANCE AND NET POSITION**

**A. Change in Accounting Principles**

For fiscal year 2019, the School District has implemented GASB Statement No. 83, "Certain Asset Retirement Obligations" and GASB Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements".

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the School District.

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the School District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2019 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Title VI-B	\$ 168,702
Title I	40,130
IDEA Preschool grant	2,048

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

**C. Restatement of Fund Balance and Net Position**

The School District is reporting an accounting change to properly report cash and investments with escrow agent and bonds payable at June 30, 2018. The School District issued HB 264 Qualified School Construction Bonds in a previous year and was required to make sinking fund deposits. The sinking fund deposits should have been reported as assets rather reducing the liability.



**PERRY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE/RESTATEMENT OF FUND BALANCE AND NET POSITION - (Continued)**

The governmental fund balances and the governmental activities net position at June 30, 2018 have been restated as follows:

	General	Nonmajor Governmental	Total Governmental
Fund balance as previously reported	\$ 16,063,548	\$ 1,345,240	\$ 17,408,788
Fund balance restatement:			
Cash and investments with escrow agent	2,054,884	-	2,054,884
Total fund restatement	2,054,884	-	2,054,884
Restated fund balance at July 1	\$ 18,118,432	\$ 1,345,240	\$ 19,463,672
Governmental Activities			
Net position (deficit) as previously reported	\$ (17,209,542)		
Adjustment to increase cash and investments with escrow agent	2,054,884		
Adjustment to increase HB 264 Qualified School Construction Bonds	(2,045,000)		
Restated net position (deficit) at July 1	\$ (17,199,658)		

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days and two-hundred-seventy days, respectively, from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate notes rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

**A. Cash on Hand**

At fiscal year end, the School District had \$85 in undeposited cash on hand which is included on the financial statements of the School District as part of "equity in pooled cash and investments".

**PERRY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**B. Cash and Investments with Escrow Agent**

At June 30, 2019, the School District had \$2,479,318 in cash and investments in an escrow account held for future repayment of the 2011 HB 264 Qualified School Construction Bonds. The School District makes annual sinking fund deposits into the account. The amount is comprised of cash of \$35,634 and negotiable certificates of deposit of \$2,443,684. The investments in negotiable certificates of deposit are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs). These amounts are not included in “deposits with financial institutions” below.

**C. Deposits with Financial Institutions**

At June 30, 2019, the carrying amount of all School District deposits was \$2,416,294 and the bank balance of all School District deposits was \$2,475,940. Of the bank balance, \$250,000 was covered by the FDIC, \$1,449,922 was covered by the Ohio Pooled Collateral System and \$776,018 was exposed to custodial credit risk because the amount was uninsured and uncollateralized.

Custodial credit risk 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. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State. For fiscal year 2019, the School District’s financial institutions were approved for a reduced collateral rate of 50 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

**D. Investments**

As of June 30, 2019, the School District had the following investments and maturities:

Measurement/ Investment type	Measurement Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
<i>Fair Value:</i>						
Commercial paper	\$ 759,500	\$ 759,500	\$ -	\$ -	\$ -	\$ -
FFCB	3,367,350	499,490	323,240	-	746,750	1,797,870
FHLB	2,882,946	499,155	248,145	497,615	498,025	1,140,006
FHLMC	4,102,055	672,788	746,855	770,771	998,920	912,721
FNMA	3,786,012	998,885	-	1,287,064	257,330	1,242,733
U.S. Treasury note	494,355	-	-	-	494,355	-
U.S. Government money market	6,595	6,595	-	-	-	-
<i>Amortized Cost:</i>						
STAR Ohio	<u>3,102,552</u>	<u>3,102,552</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 18,501,365</u>	<u>\$ 6,538,965</u>	<u>\$ 1,318,240</u>	<u>\$ 2,555,450</u>	<u>\$ 2,995,380</u>	<u>\$ 5,093,330</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

The School District's investments in U.S. Government money market mutual funds are valued using quoted market prices in active markets (Level 1 inputs). The School District's investments in federal agency securities (FFCB, FHLB, FHLMC, FNMA), US Treasury notes and commercial paper and are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

The weighted average of maturity of investments is 1.32 years.

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the School District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* The School District's investments in federal agency securities and U.S. Treasury notes were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The School District's investments in commercial paper were rated A-1 by Standard & Poor's. Standard & Poor's has assigned the U.S. Government money market and STAR Ohio an AAAM money market rating. Ohio Law requires that STAR Ohio and the U.S. Government money market maintain the highest rating provided by at least one nationally recognized standard rating service. The School District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

*Custodial Credit Risk:* For an investment, 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 agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the School District's name. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

*Concentration of Credit Risk:* The School District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the School District at June 30, 2019:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>% of Total</u>
<i>Fair Value:</i>		
Commercial paper	\$ 759,500	4.11
FFCB	3,367,350	18.20
FHLB	2,882,946	15.58
FHLMC	4,102,055	22.17
FNMA	3,786,012	20.46
U.S. Treasury notes	494,355	2.67
U.S. Government money market	6,595	0.04
<i>Amortized Cost:</i>		
STAR Ohio	<u>3,102,552</u>	<u>16.77</u>
Total	<u>\$ 18,501,365</u>	<u>100.00</u>

**PERRY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**E. Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2019:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,416,294
Investments	18,501,365
Cash and investments with escrow agent	2,479,318
Cash on hand	85
Total	\$ 23,397,062
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 23,220,500
Private-purpose trust funds	46,415
Agency funds	130,147
Total	\$ 23,397,062

**NOTE 5 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2019 represent the collection of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed values as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2019 represent the collection of calendar year 2018 taxes. Public utility real and personal property taxes received in calendar year 2019 became a lien on December 31, 2017, were levied after April 1, 2018, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Stark County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2019, are available to finance fiscal year 2019 operations. The amount available as an advance at June 30, 2019 was \$496,805 in the general fund and \$23,407 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2018 was \$386,842 in the general fund and \$17,054 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 5 - PROPERTY TAXES - (Continued)**

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2019 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow.

The assessed values upon which the fiscal year 2019 taxes were collected are:

	2018 Second Half Collections		2019 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 593,156,210	93.63	\$ 662,793,410	94.23
Public utility personal	<u>40,349,270</u>	<u>6.37</u>	<u>40,554,590</u>	<u>5.77</u>
<b>Total</b>	<u><u>\$ 633,505,480</u></u>	<u><u>100.00</u></u>	<u><u>\$ 703,348,000</u></u>	<u><u>100.00</u></u>
Tax rate per \$1,000 of assessed valuation for:				
General operations	\$46.30		\$45.50	
Permanent improvement	1.50		1.50	

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2019, consisted of property taxes, accounts, accrued interest and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of the State programs, and the current fiscal year guarantee of Federal funds.

**Governmental activities:**

Property taxes	\$ 22,192,011
Accounts	7,477
Accrued interest	61,072
Intergovernmental	410,110
Accrued interest - escrow agent	<u>7,757</u>
<b>Total</b>	<u><u>\$ 22,678,427</u></u>

**PERRY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the fiscal ended June 30, 2019, was as follows.

	Balance <u>June 30, 2018</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2019</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,351,979	\$ -	\$ -	\$ 1,351,979
Construction in progress	<u>-</u>	<u>100,227</u>	<u>-</u>	<u>100,227</u>
Total capital assets, not being depreciated	<u>1,351,979</u>	<u>100,227</u>	<u>-</u>	<u>1,452,206</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,938,927	51,135	-	2,990,062
Buildings and improvements	46,317,018	398,642	-	46,715,660
Furniture and equipment	4,110,440	182,338	(16,780)	4,275,998
Vehicles	<u>4,023,417</u>	<u>467,384</u>	<u>(357,400)</u>	<u>4,133,401</u>
Total capital assets, being depreciated	<u>57,389,802</u>	<u>1,099,499</u>	<u>(374,180)</u>	<u>58,115,121</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,262,391)	(133,014)	-	(1,395,405)
Buildings and improvements	(17,093,243)	(748,593)	-	(17,841,836)
Furniture and equipment	(1,601,601)	(225,110)	11,155	(1,815,556)
Vehicles	<u>(2,700,078)</u>	<u>(240,862)</u>	<u>357,400</u>	<u>(2,583,540)</u>
Total accumulated depreciation	<u>(22,657,313)</u>	<u>(1,347,579)</u>	<u>368,555</u>	<u>(23,636,337)</u>
Governmental activities capital assets, net	<u>\$ 36,084,468</u>	<u>\$ (147,853)</u>	<u>\$ (5,625)</u>	<u>\$ 35,930,990</u>

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**PERRY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 7 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 410,466
Special	126,381
Vocational	56,305
Other	2,307

Support services:

Pupil	70,908
Instructional staff	18,928
Board of education	3,896
Administration	62,752
Fiscal	13,472
Business	3,823
Operations and maintenance	112,012
Pupil transportation	264,687
Central	41,305

Operation of non-instructional services:

Other non-instructional services	20,286
Food service operations	65,045
Extracurricular activities	75,006
Total depreciation expense	<u>\$ 1,347,579</u>

**NOTE 8 - RISK MANAGEMENT**

**A. General Insurance**

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The School District has a comprehensive property and casualty policy with a deductible of \$5,000 and \$500 per incident on property and equipment, respectively, with a 100 percent blanket, all risk policy for property coverage. The School District's vehicle insurance policy limit is \$1,000,000 single occurrence limited liability. All board members, administrators, and employees are covered under a school district liability policy. Additionally, the School District carries a \$10,000,000 blanket umbrella policy. The limits of this coverage are \$10,000,000 per occurrence and \$10,000,000 in aggregate, with no deductible. Settlements have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior year.

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



**PERRY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 8 - RISK MANAGEMENT - (Continued)**

**B. Workers' Compensation**

The School District participates in the CompManagement Workers Compensation Group Rating Plan ("the Plan"), an insurance purchasing pool (Note 14.B). The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the group. The worker's compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the group. Each participant pays its worker's compensation premium to the State Bureau of Workers' Compensation based on the rate for the group rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the group. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the group. Participation in the Plan is limited to school districts that can meet the Plan selection criteria. The firm of CompManagement provides administrative, cost control and actuarial services to the group.

**C. Employee Health Benefits**

The School District participates in the Stark County Schools Council of Governments Health Benefits Program ("the Council"), a shared risk pool (Note 14.A) to provide employee medical/surgical benefits. The Council is a risk sharing pool created pursuant to State statute for the purpose of carrying out a cooperative program for the provision and administration of health care benefits. The Assembly is the legislative decision-making body of the Council. The Assembly is comprised of the superintendents or executive officers of the members, who have been appointed by the respective governing body of each member.

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

Rates are set through an annual calculation process. The School District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating districts. The employees share the cost of the monthly premium with the Board. For fiscal year 2019, the School District's monthly medical premium for family coverage was \$1,826 and \$752 for single coverage and \$235 and \$95 for dental, respectively. Full-time employees pay twenty percent of the premium while part-time employees pay fifty percent of the premium.

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

**NOTE 9 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

**PERRY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 9 - OTHER EMPLOYEE BENEFITS - (Continued)**

Teachers, administrators, and classified employees earn sick leave at the rate of 1-1/4 days per month. Sick leave may be accumulated to a maximum of 340 days. Upon retirement, employees receive payment for 30 percent of the total sick leave accumulation, not to exceed 78 days in fiscal year 2019.

**B. Life Insurance**

The School District provided life insurance and accidental death and dismemberment insurance to all employees through the Stark County Schools Council of Governments Health Benefits Program. Coverage ranges from \$35,000 to \$65,000 depending on the daily hours worked by the employee.

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

The net pension liability reported on the statement of net position represents a liability to employees for pensions. 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 obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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.

The 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.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in pension and postemployment benefits payable on both the accrual and modified accrual bases of accounting.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)**

***Plan Description - School Employees Retirement System (SERS)***

Plan Description - The 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 after August 1, 2017
Full benefits	Age 65 with 5 years of services credit; or 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; or 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 years of service; 2.2% for the first thirty years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14% 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% for plan members and 14% 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, 2019, the allocation to pension, death benefits, and Medicare B was 13.5%. The remaining 0.5% of the employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$981,903 for fiscal year 2019. Of this amount, \$99,916 is reported as pension and postemployment benefits payable.

**PERRY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

Plan Description - Licensed teachers 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 website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. 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 will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 27 years of service, or 30 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% 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, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member 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 service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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 to 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.

**PERRY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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. For fiscal year 2019, plan members were required to contribute 14% of their annual covered salary. The School District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$3,397,594 for fiscal year 2019. Of this amount, \$571,836 is reported as pension and postemployment benefits payable.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability was measured as of June 30, 2018, 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 and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.2129944%	0.20625954%	
Proportion of the net pension liability current measurement date	<u>0.2247317%</u>	<u>0.20897801%</u>	
Change in proportionate share	<u>0.0117373%</u>	<u>0.00271847%</u>	
Proportionate share of the net pension liability	\$ 12,870,801	\$ 45,949,572	\$ 58,820,373
Pension expense	\$ 1,210,513	\$ 4,262,346	\$ 5,472,859

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 705,884	\$ 1,060,656	\$ 1,766,540
Changes of assumptions	290,651	8,143,131	8,433,782
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	458,647	508,867	967,514
Contributions subsequent to the measurement date	<u>981,903</u>	<u>3,397,594</u>	<u>4,379,497</u>
Total deferred outflows of resources	<u>\$ 2,437,085</u>	<u>\$ 13,110,248</u>	<u>\$ 15,547,333</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)**

	SERS	STRS	Total
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ -	\$ 300,079	\$ 300,079
Net difference between projected and actual earnings on pension plan investments	356,611	2,786,333	3,142,944
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	251,767	819,362	1,071,129
Total deferred inflows of resources	\$ 608,378	\$ 3,905,774	\$ 4,514,152

\$4,379,497 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	\$ 1,136,706	\$ 3,789,267	\$ 4,925,973
2021	241,851	2,439,695	2,681,546
2022	(422,383)	86,024	(336,359)
2023	(109,370)	(508,106)	(617,476)
Total	\$ 846,804	\$ 5,806,880	\$ 6,653,684

***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.

**PERRY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
COLA or ad hoc COLA	2.50%, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement
Investment rate of return	7.50% net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

For 2018, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

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 average 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	<u>10.00</u>	3.00
Total	<u><u>100.00 %</u></u>	

**Discount Rate** - The total pension liability was calculated using the discount rate of 7.50%. 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 (7.50%). 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.

**PERRY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)**

*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 7.50%, 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 (6.50%), or one percentage point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$ 18,129,493	\$ 12,870,801	\$ 8,461,739

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation are presented below:

	July 1, 2018
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.0%, effective July 1, 2017

For the July 1, 2018, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.



**PERRY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - DEFINED BENEFIT PENSION PLANS - (Continued)**

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate 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	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	<u>1.00</u>	2.25
Total	<u><u>100.00 %</u></u>	

\*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

\*\*The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**Discount Rate** - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2018. 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, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

**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 7.45%, 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 (6.45%) or one-percentage-point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$ 67,103,301	\$ 45,949,572	\$ 28,045,811

**PERRY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 11 - DEFINED BENEFIT OPEB PLANS**

*Net OPEB Liability/Asset*

The net OPEB liability/asset reported on the statement of net position represents a liability/asset to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB 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 obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability/asset represents the School District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability/asset 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 these estimates annually.

The 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 OPEB are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability/asset. Resulting adjustments to the net OPEB liability/asset would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded/funded benefits is presented as a long-term *net OPEB liability* or *net OPEB asset* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in pension and postemployment benefits payable on both the accrual and modified accrual bases of accounting.

***Plan Description - School Employees Retirement System (SERS)***

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 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. 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.

**PERRY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)**

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. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, 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 pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the School District's surcharge obligation was \$132,491.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$168,858 for fiscal year 2019. Of this amount, \$136,192 is reported as pension and postemployment benefits payable.

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

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. 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 to offer the Plan and gives the Retirement Board discretionary 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. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

**PERRY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)**

***OPEB Liabilities/Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

The net OPEB liability/asset was measured as of June 30, 2018, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability/asset was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.21742790%	0.20625954%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.22739260%</u>	<u>0.20897801%</u>	
Change in proportionate share	<u>0.00996470%</u>	<u>0.00271847%</u>	
Proportionate share of the net OPEB liability	\$ 6,308,485	\$ -	\$ 6,308,485
Proportionate share of the net OPEB asset	\$ -	\$ (3,358,063)	\$ (3,358,063)
OPEB expense	\$ 284,465	\$ (7,302,178)	\$ (7,017,713)

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 102,977	\$ 392,227	\$ 495,204
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	186,017	96,873	282,890
Contributions subsequent to the measurement date	<u>168,858</u>	<u>-</u>	<u>168,858</u>
Total deferred outflows of resources	<u>\$ 457,852</u>	<u>\$ 489,100</u>	<u>\$ 946,952</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)**

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ -	\$ 195,651	\$ 195,651
Net difference between projected and actual earnings on pension plan investments	9,464	383,631	393,095
Changes of assumptions	566,769	4,575,628	5,142,397
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>107,954</u>	<u>173,850</u>	<u>281,804</u>
Total deferred inflows of resources	<u>\$ 684,187</u>	<u>\$ 5,328,760</u>	<u>\$ 6,012,947</u>

\$168,858 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2020	\$ (257,619)	\$ (871,324)	\$ (1,128,943)
2021	(192,538)	(871,324)	(1,063,862)
2022	13,542	(871,324)	(857,782)
2023	17,570	(784,201)	(766,631)
2024	16,917	(753,641)	(736,724)
Thereafter	<u>6,935</u>	<u>(687,846)</u>	<u>(680,911)</u>
Total	<u>\$ (395,193)</u>	<u>\$ (4,839,660)</u>	<u>\$ (5,234,853)</u>

**Actuarial Assumptions - SERS**

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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 terminations). 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.

**PERRY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2018 are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Investment rate of return	7.50% net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.62%
Prior measurement date	3.56%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.70%
Prior measurement date	3.63%
Medical trend assumption:	
Medicare	5.375 to 4.75%
Pre-Medicare	7.25 to 4.75%

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates. RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

**PERRY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)**

**Discount Rate** - The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70%. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2026. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2025 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62%, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.56% was used as of June 30, 2017. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
School District's proportionate share of the net OPEB liability	\$ 7,654,851	\$ 6,308,485	\$ 5,242,416

	1% Decrease (6.25 % decreasing to 3.75 %)	Current Trend Rate (7.25 % decreasing to 4.75 %)	1% Increase (8.25 % decreasing to 5.75 %)
School District's proportionate share of the net OPEB liability	\$ 5,089,790	\$ 6,308,485	\$ 7,922,256

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)**

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation, compared with July 1, 2017, are presented below:

	July 1, 2018		July 1, 2017
Inflation	2.50%		2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65		12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation		7.45%, net of investment expenses, including inflation
Payroll increases	3.00%		3.00%
Cost-of-living adjustments (COLA)	0.00%		0.00%, effective July 1, 2017
Discounted rate of return	7.45%		N/A
Blended discount rate of return	N/A		4.13%
Health care cost trends			6 to 11% initial, 4.50% ultimate
	Initial	Ultimate	
Medical			
Pre-Medicare	6.00%	4.00%	
Medicare	5.00%	4.00%	
Prescription Drug			
Pre-Medicare	8.00%	4.00%	
Medicare	-5.23%	4.00%	

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

***Assumption Changes Since the Prior Measurement Date*** - The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

***Benefit Term Changes Since the Prior Measurement Date*** - The subsidy multiplier for non-Medicare benefit recipients was increased from 1.90% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.



**PERRY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 11 - DEFINED BENEFIT OPEB PLANS - (Continued)**

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation**	Long Term Expected Real Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

\*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

\*\* The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**Discount Rate** - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2018. A discount rate used to measure the total OPEB liability was 4.13% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2018.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate** - The following table represents the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
	School District's proportionate share of the net OPEB asset	\$ 2,878,175	\$ 3,358,063

	1% Decrease	Current Trend Rate	1% Increase
	School District's proportionate share of the net OPEB asset	\$ 3,738,619	\$ 3,358,063

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 12 - LONG-TERM OBLIGATIONS**

During the fiscal year 2019, the following activity occurred in governmental activities long-term obligations. The long-term obligations at June 30, 2018 have been restated as described in Note 3.C.

	Restated			Balance June 30, 2019	Amount Due in One Year
	Balance June 30, 2018	Increase	Decrease		
Compensated absences 2011 HB 264	\$ 4,317,328	\$ 772,771	\$ (386,645)	\$ 4,703,454	\$ 408,849
Qualified School Construction Bonds	5,185,000	-	-	5,185,000	-
2017 lease purchase agreement - direct borrowing	2,834,000	-	(684,000)	2,150,000	702,000
Net pension liability	61,723,341	144,856	(3,047,824)	58,820,373	-
Net OPEB liability	13,882,680	473,291	(8,047,486)	6,308,485	-
<b>Total</b>	<u>\$ 87,942,349</u>	<u>\$ 1,390,918</u>	<u>\$ (12,165,955)</u>	<u>\$ 77,167,312</u>	<u>\$ 1,110,849</u>

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

*Net Pension Liability and Net OPEB Liability/Asset:* See Notes 10 and 11 for details. The School District pays obligations related to employee compensation from the fund benefitting from their service.

2011 HB 264 Qualified School Construction Bonds

On February 8, 2011, the School District issued \$5,185,000 in general obligation qualified school construction bonds ("QSCB") to finance a HB 264 project. The bonds were issued for a fifteen year period with a final maturity at December 1, 2025. The bond issue consisted of serial, term and capital appreciation bonds. The principal and interest requirements will be recorded in the general fund. The School District makes annual payments to a sinking fund to pay the principal balance when due (see Note 4.B). During fiscal year 2019, the School District made \$347,000 in sinking deposits.

The following is a summary of the future debt service requirements to maturity of the 2011 HB 264 Qualified School Construction Bonds and a schedule of the required sinking fund deposits:

Fiscal Year Ending June 30,	Series 2011 Bonds			Annual Sinking Fund Deposits
	Principal	Interest	Total	
2020	\$ -	\$ 292,952	\$ 292,952	375,000
2021	-	292,952	292,952	380,000
2022	-	292,952	292,952	390,000
2023	-	292,952	292,952	395,000
2024	-	292,952	292,952	405,000
2025 - 2026	<u>5,185,000</u>	<u>439,428</u>	<u>5,624,428</u>	<u>830,000</u>
<b>Total</b>	<u>\$ 5,185,000</u>	<u>\$ 1,904,188</u>	<u>\$ 7,089,188</u>	<u>\$ 2,775,000</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

Annually the School District must pay the entire interest amount and then submit a form for the return of credit payments to issuers of qualified bonds from the Internal Revenue Service. In fiscal year 2019, the School District was reimbursed \$262,144; the net annual interest cost of the bonds to the School District in fiscal year 2019 was \$12,809. Over the term of the bonded debt repayment schedule, the School District will be reimbursed \$4,140,074 of the total \$4,339,766 interest costs.

2017 Lease Purchase Agreement

On March 15, 2017, the School District entered into a lease purchase agreement with Huntington National Bank for the construction of a career and wellness center at the high school. The lease-purchase agreement is considered a direct borrowing. Direct borrowings have terms negotiated directly between the School District and the lender and are not offered for public sale. In conjunction with the lease-purchase agreement, the School District and the Bank have entered into a Ground Lease agreement whereby the School District has leased to the Bank, under a Ground Lease, the Project Site and the Bank has subleased the Project Site, and the facilities already located and/or to be constructed thereon (the "Project Facilities") back to the School District under the terms of the lease-purchase agreement. The Project Site and Project Facilities are collateral for the debt as, in the event of default or "Nonappropriation of Funds", the Bank shall have all legal and equitable rights to take possession of the Project Site and Project Facilities and/or assign the Ground Lease. The lease amounts to an initial value of \$3,500,000.

The interest rate on the lease purchase agreement is stated at 2.55%. Interest payments of the lease purchase agreement are due on June 1 and December 1 of each year. The final maturity date stated on the issue is December 1, 2021.

The following is a summary of the future debt service requirements to maturity for the 2017 lease purchase agreement:

Fiscal Year Ending <u>June 30,</u>	<u>Lease Purchase Agreement</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 702,000	\$ 45,874	\$ 747,874
2021	720,000	27,744	747,744
2022	<u>728,000</u>	<u>9,282</u>	<u>737,282</u>
Total	<u>\$ 2,150,000</u>	<u>\$ 82,900</u>	<u>\$ 2,232,900</u>

**Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the School District shall never exceed 9% of the total assessed valuation of the School District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the School District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the School District. The assessed valuation used in determining the School District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the School District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2019, are a voted debt margin of \$60,526,320 and an unvoted debt margin of \$703,348.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 13 - JOINTLY GOVERNED ORGANIZATION**

The Stark Portage Area Computer Consortium (SPARCC) is a jointly governed organization among 31 school districts and the Stark County Educational Service Center. The purpose of the organization is to apply modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The legislative and advisory body is the assembly which is comprised of the superintendents of the participating schools. The degree of control exercised by any participating district is limited to its representation on the assembly, which appoints the five-member executive board. The executive board exercises total control over the operation of SPARCC including budgeting, appropriating, contracting and designating management. The executive board consists of five superintendents. All revenues are generated from State funding and an annual fee charged to participating districts. The School District paid \$207,911 to SPARCC during the fiscal year 2019. The Stark County Educational Service Center is the fiscal agent of SPARCC. Financial information can be obtained by writing to the Stark County Educational Service Center, 6057 Strip Avenue NW, North Canton, Ohio 44720.

**NOTE 14 - PUBLIC ENTITY RISK POOLS**

**A. Risk Sharing Pool**

The Stark County Schools Council of Governments Health Benefits Program is a shared risk pool. The Council is governed by an assembly which consists of one representative from each participant (usually the superintendent or designee). The assembly elects officers for two-year terms to serve as the Board of Directors. The assembly exercises control over the operation of the consortium. All consortium revenues are generated from charges for services received from the participating school districts, based on the established premiums for the insurance plans. Financial information can be obtained by writing to the Stark County Educational Service Center, 6057 Strip Avenue NW, North Canton, Ohio 44720.

**B. Insurance Purchasing Pool**

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

**NOTE 15 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the School District at June 30, 2019.

**B. Litigation**

The School District was not party to material legal proceedings.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 15 - CONTINGENCIES - (Continued)**

**C. Foundation Funding**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2018-2019 school year, traditional 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 District, which can extend past the fiscal year-end. ODE's final FTE adjustments did not have a material impact on the School District's financial statements.

**NOTE 16 - SET-ASIDES**

The School District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2018	\$ -
Current year set-aside requirement	834,724
Current year offsets	<u>(1,017,664)</u>
Total	<u>\$ (182,940)</u>
Balance carried forward to fiscal year 2020	<u>\$ -</u>
Set-aside balance June 30, 2019	<u>\$ -</u>

The current year offsets represent the permanent improvement levy cash-basis receipts received by the School District during fiscal year 2019.

**NOTE 17 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary 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 GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) 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 an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Investments are reported at cost (budget basis) as opposed to fair value (GAAP basis); and
- (f) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ (1,748,851)
Net adjustment for revenue accruals	242,813
Net adjustment for expenditure accruals	(44,155)
Net adjustment for other sources/uses	(2,452)
Funds budgeted elsewhere	(3,571)
Adjustment for encumbrances	433,870
GAAP basis	<u>\$ (1,122,346)</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund, rotary fund, the public school support fund, adult education fund, the recreation fund, the special trust fund, the unclaimed monies fund and the special education medicaid fund.

**PERRY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 18 - 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 Type</u>	<u>Year-End Encumbrances</u>
General fund	\$ 234,296
Other governmental	<u>62,664</u>
Total	<u>\$ 296,960</u>

**NOTE 19 - TAX ABATEMENT AGREEMENTS ENTERED INTO BY OTHER GOVERNMENTS**

Perry Township entered into Economic Zone agreements with Case Farms and Shearer's Foods, Inc. for the abatement of property taxes to bring jobs and economic development into the Township. Under the agreements, the companies' property taxes assessed to the School District have been abated. During fiscal year 2019, the School District's property taxes were reduced by approximately \$75,000.

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REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST SIX FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
School District's proportion of the net pension liability	0.22473170%	0.21299440%	0.22197420%	0.21341530%
School District's proportionate share of the net pension liability	\$ 12,870,801	\$ 12,725,945	\$ 16,246,463	\$ 12,177,684
School District's covered payroll	\$ 6,844,067	\$ 7,234,757	\$ 7,231,857	\$ 6,424,917
School District's proportionate share of the net pension liability as a percentage of its covered payroll	188.06%	175.90%	224.65%	189.54%
Plan fiduciary net position as a percentage of the total pension liability	71.36%	69.50%	62.98%	69.16%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>
0.21461000%	0.21461000%
\$ 10,861,290	\$ 12,762,168
\$ 6,236,147	\$ 6,160,809
174.17%	207.15%
71.70%	65.52%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST SIX FISCAL YEARS			
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
School District's proportion of the net pension liability	0.20897801%	0.20625954%	0.21081056%	0.21004906%
School District's proportionate share of the net pension liability	\$ 45,949,572	\$ 48,997,396	\$ 70,564,649	\$ 58,051,416
School District's covered payroll	\$ 23,919,164	\$ 22,638,136	\$ 22,398,036	\$ 22,231,829
School District's proportionate share of the net pension liability as a percentage of its covered payroll	192.10%	216.44%	315.05%	261.12%
Plan fiduciary net position as a percentage of the total pension liability	77.31%	75.30%	66.80%	72.10%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>
0.20918458%	0.20918458%
\$ 50,880,929	\$ 60,609,030
\$ 21,372,885	\$ 22,209,254
238.06%	272.90%
74.70%	69.30%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF SCHOOL DISTRICT PENSION CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 981,903	\$ 923,949	\$ 1,012,866	\$ 1,012,460
Contributions in relation to the contractually required contribution	<u>(981,903)</u>	<u>(923,949)</u>	<u>(1,012,866)</u>	<u>(1,012,460)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	\$ 7,273,356	\$ 6,844,067	\$ 7,234,757	\$ 7,231,857
Contributions as a percentage of covered payroll	13.50%	13.50%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 846,804	\$ 864,330	\$ 852,656	\$ 818,702	\$ 771,179	\$ 926,566
<u>(846,804)</u>	<u>(864,330)</u>	<u>(852,656)</u>	<u>(818,702)</u>	<u>(771,179)</u>	<u>(926,566)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 6,424,917	\$ 6,236,147	\$ 6,160,809	\$ 6,087,004	\$ 6,135,076	\$ 6,843,176
13.18%	13.86%	13.84%	13.45%	12.57%	13.54%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF SCHOOL DISTRICT PENSION CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 3,397,594	\$ 3,348,683	\$ 3,169,339	\$ 3,135,725
Contributions in relation to the contractually required contribution	<u>(3,397,594)</u>	<u>(3,348,683)</u>	<u>(3,169,339)</u>	<u>(3,135,725)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	\$ 24,268,529	\$ 23,919,164	\$ 22,638,136	\$ 22,398,036
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 3,112,456	\$ 2,778,475	\$ 2,887,203	\$ 2,758,074	\$ 2,867,983	\$ 2,897,392
<u>(3,112,456)</u>	<u>(2,778,475)</u>	<u>(2,887,203)</u>	<u>(2,758,074)</u>	<u>(2,867,983)</u>	<u>(2,897,392)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 22,231,829	\$ 21,372,885	\$ 22,209,254	\$ 21,215,954	\$ 22,061,408	\$ 22,287,631
14.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF  
THE NET OPEB LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's proportion of the net OPEB liability	0.22739260%	0.21742790%	0.22492628%
School District's proportionate share of the net OPEB liability	\$ 6,308,485	\$ 5,835,194	\$ 6,411,231
School District's covered payroll	\$ 6,844,067	\$ 7,234,757	\$ 7,231,857
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	92.17%	80.66%	88.65%
Plan fiduciary net position as a percentage of the total OPEB liability	13.57%	12.46%	11.49%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF  
THE NET OPEB LIABILITY/ASSET  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's proportion of the net OPEB liability/asset	0.20897801%	0.20625954%	0.21081056%
School District's proportionate share of the net OPEB liability/(asset)	\$ (3,358,063)	\$ 8,047,486	\$ 11,274,204
School District's covered payroll	\$ 23,919,164	\$ 22,638,136	\$ 22,398,036
School District's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	14.04%	35.55%	50.34%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	176.00%	47.10%	37.30%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF SCHOOL DISTRICT OPEB CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 168,858	\$ 154,413	\$ 124,460	\$ 113,727
Contributions in relation to the contractually required contribution	<u>(168,858)</u>	<u>(154,413)</u>	<u>(124,460)</u>	<u>(113,727)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	\$ 7,273,356	\$ 6,844,067	\$ 7,234,757	\$ 7,231,857
Contributions as a percentage of covered payroll	2.32%	2.26%	1.72%	1.57%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 116,867	\$ 8,731	\$ 9,857	\$ 33,479	\$ 87,732	\$ 121,869
<u>(116,867)</u>	<u>(8,731)</u>	<u>(9,857)</u>	<u>(33,479)</u>	<u>(87,732)</u>	<u>(121,869)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 6,424,917	\$ 6,236,147	\$ 6,160,809	\$ 6,087,004	\$ 6,135,076	\$ 6,843,176
1.82%	0.14%	0.16%	0.55%	1.43%	1.78%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF SCHOOL DISTRICT OPEB CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	\$ 24,268,529	\$ 23,919,164	\$ 22,638,136	\$ 22,398,036
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ -	\$ 216,681	\$ 213,342	\$ 212,160	\$ 220,614	\$ 222,876
-	(216,681)	(213,342)	(212,160)	(220,614)	(222,876)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 22,231,829	\$ 21,372,885	\$ 22,209,254	\$ 21,215,954	\$ 22,061,408	\$ 22,287,631
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

PENSION

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%. There were no changes in benefit terms from the amounts previously reported for fiscal year 2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2018-2019.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero. There were no changes in benefit terms from amounts previously reported for fiscal year 2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019.

(Continued)



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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal years 2017-2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rates for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. For fiscal year 2019, STRS increased the subsidy multiplier for non-Medicare benefit recipients from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability/asset since the prior measurement date: (a) the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and (b) decrease in health care cost trend rates from 6.00%-11.00% initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate.

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**PERRY LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR YEAR ENDED JUNE 30, 2019**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education</i>						
Child Nutrition Cluster:						
School Breakfast Program	10.553	049924-3L70-2019	\$ 197,353	\$ -	\$ 197,353	\$ -
National School Lunch Program	10.555	049924-3L60-2019	835,414	160,777	835,414	160,777
Summer Food Service Program for Children	10.559	049924-3GE0-2019	39,779	-	39,779	-
<b>Total Child Nutrition Cluster</b>			<u>1,072,546</u>	<u>160,777</u>	<u>1,072,546</u>	<u>160,777</u>
<b>Total U.S. Department of Agriculture</b>			<u>1,072,546</u>	<u>160,777</u>	<u>1,072,546</u>	<u>160,777</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education</i>						
Special Education Cluster:						
Special Education Grants to States	84.027	049924-3M20-2018	8,341	-	79,349	-
Special Education Grants to States	84.027	049924-3M20-2019	927,517	-	927,517	-
Special Education Preschool Grants	84.173	049924-3C50-2018	-	-	57	-
Special Education Preschool Grants	84.173	049924-3C50-2019	15,374	-	14,583	-
Special Education Preschool Grants	84.173A	049924-3C50-2019	2,645	-	2,645	-
<b>Total Special Education Cluster</b>			<u>953,877</u>	<u>-</u>	<u>1,024,151</u>	<u>-</u>
Title I:						
Title I Grants to Local Educational Agencies	84.010	049924-3M00-2018	61,029	-	72,391	-
Title I Grants to Local Educational Agencies	84.010	049924-3M00-2019	481,729	-	470,185	-
<b>Total Title I Grants to Local Educational Agencies</b>			<u>542,758</u>	<u>-</u>	<u>542,576</u>	<u>-</u>
Title II-A						
Improving Teacher Quality State Grants, Title II-A	84.367	049924-3Y60-2018	17,898	-	15,361	-
Improving Teacher Quality State Grants, Title II-A	84.367	049924-3Y60-2019	105,487	-	104,009	-
<b>Total Improving Teacher Quality State Grants, Title II-A</b>			<u>123,385</u>	<u>-</u>	<u>119,370</u>	<u>-</u>
Title III						
Language Instruction for English Learners	84.365	049858-3Y70-2019	4,307	-	4,307	-
Title IV-A						
Student Support and Academic Enrichment	84.424	049924-3HI0-2019	43,830	-	43,830	-
<b>Total U.S. Department of Education</b>			<u>1,668,157</u>	<u>-</u>	<u>1,734,234</u>	<u>-</u>
<b>Total Federal Financial Assistance</b>			<u>\$2,740,703</u>	<u>\$ 160,777</u>	<u>\$ 2,806,780</u>	<u>\$ 160,777</u>

The accompanying notes are an integral part of this schedule.

**PERRY LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) includes the federal award activity of Perry Local School District (the District) under programs of the federal government for the year ended June 30, 2019. 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 District, it is not intended to and does not present the financial position or changes in net position of the 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 Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

**NOTE C – INDIRECT COST RATE**

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE D - CHILD NUTRITION CLUSTER**

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

**NOTE E – FOOD DONATION PROGRAM**

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

**NOTE F - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2019 to 2020 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred</u>
Title I Grant to Local Educational Agencies	84.010	\$ 2,328
Title IV-A Student Support and Academic Enrichment	84.424	\$ 675



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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Perry Local School District, Stark County, (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 12, 2020, wherein we noted the District reported an accounting change to properly report cash and investments with escrow agent and bonds payable.

***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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



Keith Faber  
Auditor of State

Columbus, Ohio

February 12, 2020



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700 Chase Tower  
Canton, Ohio 44702-1509  
(330) 438-0617 or (800) 443-9272  
EastRegion@ohioauditor.gov

**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  
Stark County  
4201 13<sup>th</sup> Street SW  
Massillon, Ohio 44646

To the Board of Education:

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

We have audited the Perry Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Perry Local School District's major federal program for the year ended June 30, 2019. 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 program.

***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and 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 District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the Perry Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2019.

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

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with 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 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.



Keith Faber  
Auditor of State

Columbus, Ohio

February 12, 2020



**PERRY LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2019**

**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 weaknesses in internal control 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>	No
<i>(d)(1)(iv)</i>	<b>Were there any material weaknesses in internal control 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 CFR § 200.516(a)?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Child Nutrition Cluster – CFDA # 10.553, 10.555 and 10.559
<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 CFR § 200.520?</b>	Yes

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

None

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

None

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# OHIO AUDITOR OF STATE KEITH FABER



**PERRY LOCAL SCHOOL DISTRICT**

**STARK COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 25, 2020**