

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2016**



**Dave Yost • Auditor of State**



**LOUDONVILLE-PERRYVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position .....	17
Statement of Activities.....	18
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	19
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	20
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds .....	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	22
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) General Fund .....	23
Statement of Net Position – Proprietary Fund .....	24
Statement of Revenues, Expenses and Change in Net Position – Proprietary Fund .....	25
Statement of Cash Flows – Proprietary Fund.....	26
Statement of Fiduciary Net Position – Fiduciary Fund.....	27
Notes to the Basic Financial Statements .....	29
Required Supplementary Information:	
Schedules of Required Supplementary Information:	
Schedule of the District's Proportionate Share of The Net Pension Liability School Employees Retirement System (SERS) of Ohio .....	64
Schedule of the District's Proportionate Share of The Net Pension Liability State Teachers Retirement System (STRS) of Ohio .....	65
Schedule of District Contributions School Employees Retirement System (SERS) of Ohio .....	66
Schedule of District Contributions State Teachers Retirement System (STRS) of Ohio .....	68
Notes to the Required Supplementary Information.....	70

LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY

TABLE OF CONTENTS  
CONTINUED

<b>TITLE</b>	<b>PAGE</b>
Schedule of Expenditures of Federal Awards.....	71
Notes to the Schedule of Expenditures of Federal Awards .....	72
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	73
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 .....	75
Schedule of Findings.....	77



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Loudonville-Perrysville Exempted Village School District  
Ashland County  
210 East Main Street  
Loudonville, Ohio 44842

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 Loudonville-Perrysville Exempted Village School District, Ashland County, Ohio (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Loudonville-Perrysville Exempted Village School District, Ashland County, Ohio, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and schedules of net pension liabilities and pension 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 Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

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

December 14, 2016

**THIS PAGE INTENTIONALLY LEFT BLANK**



**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

The management's discussion and analysis of the Loudonville-Perrysville Exempted Village School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the 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 District's financial performance.

**Financial Highlights**

Key financial highlights for 2016 are as follows:

- In total, net position of governmental activities increased \$1,288,986 which represents a 12.06% increase from 2015.
- General revenues accounted for \$12,484,775 in revenue or 78.59% of all revenues. Program specific revenues, in the form of charges for services and sales, grants and contributions accounted for \$3,401,304 or 21.41% of total revenues of \$15,886,079.
- The District had \$14,597,093 in expenses related to governmental activities; only \$3,401,304 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$12,484,775 were adequate to provide for these programs.
- The District's major governmental fund is the general fund. The general fund had \$13,366,186 in revenues and other financing sources and \$12,405,938 in expenditures. During fiscal 2016, the general fund's fund balance increased \$960,248 from a balance of \$3,991,447 to \$4,951,695.

**Using the Basic Financial Statements (BFS)**

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 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 District, presenting both an aggregate view of the 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 District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund is by far the most significant fund, and the only governmental fund reported as a major fund.

**Reporting the 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 District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows, liabilities, deferred inflows, 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.

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

These two statements report the District's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the 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 District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

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

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

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

***Fund Financial Statements***

The analysis of the District's major governmental fund begins on page 13. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental fund is the general fund.

***Governmental Funds***

Most of the 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 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.

***Proprietary Funds***

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for employee benefits self-insurance. The basic proprietary fund financial statements can be found on pages 24-26 of this report.

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

The District acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position on page 27. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**

***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 29-62 of this report.

***Required Supplemental Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net position liability. The required supplementary information can be found on pages 64-70 of this report.

**The District as a Whole**

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

The table on the following page provides a summary of the District's net position at June 30, 2016 and June 30, 2015.

THIS SPACE IS INTENTIONALLY LEFT BLANK

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

	<b>Net Position</b>	
	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 11,747,342	\$ 10,540,885
Capital assets, net	<u>3,267,998</u>	<u>3,140,356</u>
Total assets	<u>15,015,340</u>	<u>13,681,241</u>
<b><u>Deferred Outflows of Resources</u></b>		
Pension	<u>1,830,380</u>	<u>1,124,231</u>
Total deferred outflows of resources	<u>1,830,380</u>	<u>1,124,231</u>
<b><u>Liabilities</u></b>		
Current liabilities	1,545,245	1,586,145
Long-term liabilities:		
Due within one year	223,497	233,650
Due within more than one year:		
Net pension liability	17,362,394	15,379,588
Other amounts	<u>1,683,328</u>	<u>1,681,353</u>
Total liabilities	<u>20,814,464</u>	<u>18,880,736</u>
<b><u>Deferred Inflows of Resources</u></b>		
Property taxes levied for the next fiscal year	4,028,725	3,826,431
Pensions	<u>1,398,779</u>	<u>2,783,539</u>
Total deferred inflows of resources	<u>5,427,504</u>	<u>6,609,970</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	2,485,390	2,258,800
Restricted	431,977	261,063
Unrestricted (deficit)	<u>(12,313,615)</u>	<u>(13,205,097)</u>
Total net position (deficit)	<u>\$ (9,396,248)</u>	<u>\$ (10,685,234)</u>

During 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

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

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

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

GASB notes that pension 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. GASB noted that the unfunded portion of this pension 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 District is not responsible for certain key factors affecting the balance of this liability. 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 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 pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *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 pension system is responsible for the administration of the plan.

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. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, 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 pension 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 is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability 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, 2016, the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$9,396,248.

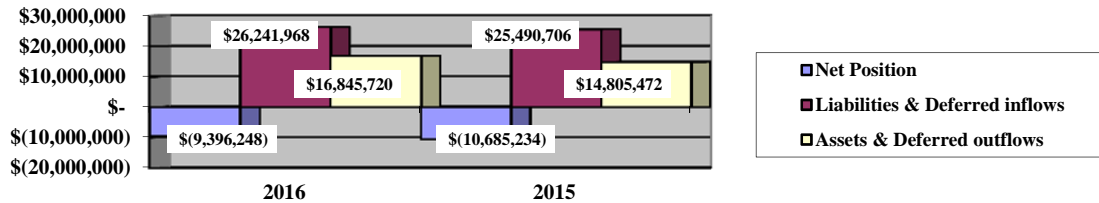
**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**

At year-end, capital assets represented 21.76% of total assets. Capital assets include land, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets and June 30, 2016, was \$2,485,390. These capital assets are used to provide services to the students and are not available for future spending. Although the 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.

A portion of the District's net position, \$431,977, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is (\$12,313,615).

**Governmental Activities**



The table below shows the change in net position for fiscal year 2016 and 2015.

	<u>Change in Net Position</u>	
	<u>Governmental Activities 2016</u>	<u>Governmental Activities 2015</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,641,209	\$ 1,665,412
Operating grants and contributions	1,760,095	1,824,506
General revenues:		
Property taxes	5,106,073	5,150,846
Income taxes	1,760,156	1,754,434
Grants and entitlements	5,537,393	5,212,856
Investment earnings	35,191	15,003
Other	<u>45,962</u>	<u>38,826</u>
Total revenues	<u>15,886,079</u>	<u>15,661,883</u>

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

**Change in Net Position**

	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 5,251,067	\$ 5,361,490
Special	2,218,473	2,178,915
Vocational	274,224	144,437
Other	1,236,662	1,313,117
Support services:		
Pupil	516,589	497,716
Instructional staff	731,322	670,915
Board of education	24,039	22,869
Administration	1,274,862	1,099,654
Fiscal	415,262	409,405
Business	11,453	31,060
Operations and maintenance	1,014,715	960,638
Pupil transportation	571,380	709,444
Central	11,695	29,408
Operation of non-instructional services:		
Food service operations	524,690	516,198
Other non-instructional services	20,974	19,326
Extracurricular activities	458,946	556,225
Interest and fiscal charges	<u>40,740</u>	<u>43,888</u>
Total expenses	<u>14,597,093</u>	<u>14,564,705</u>
Change in net position	1,288,986	1,097,178
Net position (deficit) at beginning of year	<u>(10,685,234)</u>	<u>(11,782,412)</u>
Net position (deficit) at end of year	<u>\$ (9,396,248)</u>	<u>\$ (10,685,234)</u>

**Governmental Activities**

Net position of the District's governmental activities increased \$1,288,986. Total governmental expenses of \$14,597,093 were offset by program revenues of \$3,401,304 and general revenues of \$12,484,775. Program revenues supported 23.30% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes and unrestricted grants and entitlements. These revenue sources represent 78.08% of total governmental revenue. Real estate property is reappraised every six years.

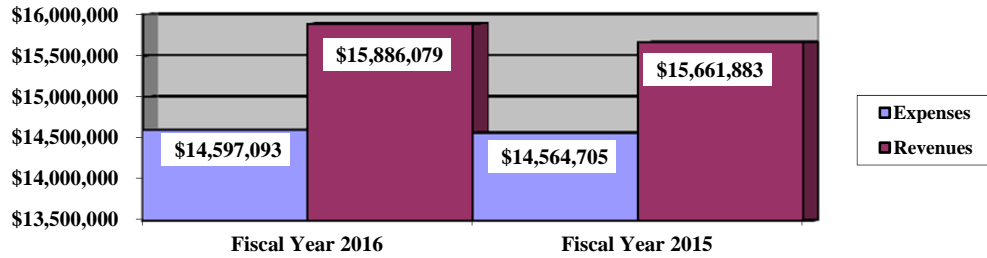
The largest expense of the District is for instructional programs. Instruction expenses totaled \$8,980,426 or 61.52% of total governmental expenses for fiscal 2016.

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2016 and 2015.

**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 2016	Net Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2015
<b>Program expenses</b>				
Instruction:				
Regular	\$ 5,251,067	\$ 4,365,359	\$ 5,361,490	\$ 4,555,378
Special	2,218,473	607,049	2,178,915	426,527
Vocational	274,224	197,481	144,437	92,780
Other	1,236,662	1,227,101	1,313,117	1,290,598
Support services:				
Pupil	516,589	508,751	497,716	486,577
Instructional staff	731,322	671,813	670,915	578,608
Board of education	24,039	24,039	22,869	22,869
Administration	1,274,862	1,154,913	1,099,654	1,044,963
Fiscal	415,262	415,262	409,405	409,405
Business	11,453	11,453	31,060	31,060
Operations and maintenance	1,014,715	1,014,123	960,638	959,336
Pupil transportation	571,380	549,909	709,444	689,119
Central	11,695	11,695	29,408	29,408
Food service operations	524,690	59,253	516,198	22,000
Operations of non-instructional services	20,974	20,671	19,326	19,326
Extracurricular activities	458,946	316,177	556,225	372,945
Interest and fiscal charges	40,740	40,740	43,888	43,888
<b>Total expenses</b>	<u>\$ 14,597,093</u>	<u>\$ 11,195,789</u>	<u>\$ 14,564,705</u>	<u>\$ 11,074,787</u>

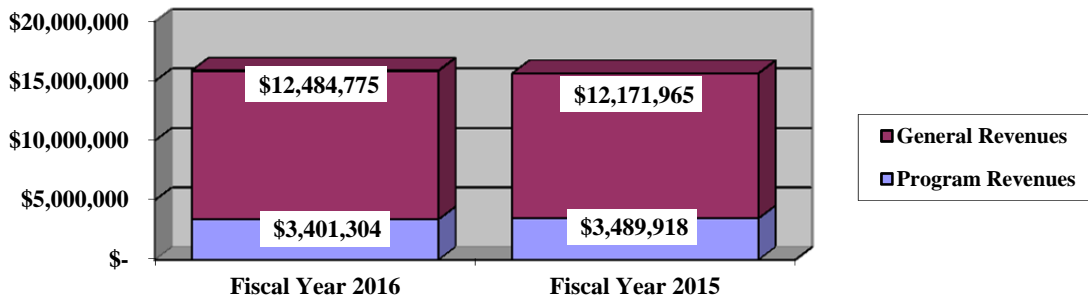


**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent, 71.23% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 76.70%. The District's taxpayers and unrestricted grants and entitlements received from the State, as a whole, are by far the primary support for District's students. The graph below presents the District's governmental activities revenue for fiscal year 2016 and 2015.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 17) reported a combined fund balance of \$5,313,620, which is higher than last year's total of \$4,232,884. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2016 and 2015.

	Fund Balance June 30, 2016	Fund Balance June 30, 2015	Increase
General	\$ 4,951,695	\$ 3,991,447	\$ 960,248
Other Governmental	<u>361,925</u>	<u>241,437</u>	<u>120,488</u>
Total	<u>\$ 5,313,620</u>	<u>\$ 4,232,884</u>	<u>\$ 1,080,736</u>

**General Fund**

The table on the following page assists in illustrating the financial activities and fund balance of the general fund.

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

	2016 <u>Amount</u>	2015 <u>Amount</u>	Percentage <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 6,625,626	\$ 6,692,352	(1.00) %
Tuition	478,456	571,900	(16.34) %
Earnings on investments	29,432	13,705	114.75 %
Intergovernmental	6,140,303	5,813,836	5.62 %
Other revenues	<u>92,046</u>	<u>106,310</u>	(13.42) %
 Total	 <u>\$ 13,365,863</u>	 <u>\$ 13,198,103</u>	 1.27 %
<b><u>Expenditures</u></b>			
Instruction	\$ 7,418,178	\$ 7,670,458	(3.29) %
Support services	4,342,337	4,174,935	4.01 %
Operation of non-instructional services	22,730	18,530	22.67 %
Extracurricular activities	329,849	330,027	(0.05) %
Facilities acquisition and construction	153,718	74,139	107.34 %
Capital outlay	-	47,173	(100.00) %
Debt service	<u>139,126</u>	<u>127,127</u>	9.44 %
 Total	 <u>\$ 12,405,938</u>	 <u>\$ 12,442,389</u>	 (0.29) %

The District experienced a 1.27% or \$167,760 increase in general fund revenues. Tuition revenue decreased \$93,444 or 16.34% due a decrease in special education paid out of the general fund. All Mohican Youth Academy revenue and expenditures are now coded in the Mohican Youth Academy fund instead of the general fund. Earnings on investments increased \$15,727 or 114.75% due to a significant increase in monies held in investment accounts. Other revenues decreased \$14,264 or 13.42% primarily due to a lower amount of extracurricular related revenues, such as not having the high school Washington D.C. trip in the current fiscal year. All other revenues remained consistent from fiscal year 2015 to fiscal year 2016.

Expenditures in the general fund decreased 0.29% or \$36,451. The District had a decrease in capital outlay of \$47,173 or 100.00% due to the acquisition of capital leases in fiscal year 2015. Facilities acquisition and construction increased \$79,579 or 107.34% due to an increase in capital improvement projects being paid out of the general fund in fiscal year 2016. All other expenditures remained consistent from fiscal year 2015 to fiscal year 2016.

***General Fund Budgeting Highlights***

The 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.

For the general fund, original and final budgeted revenues and other financing sources were \$13,028,000. Actual revenues and other financing sources for fiscal 2016 was \$13,555,444, which was \$527,444 more than final budget revenues.

General fund original and final appropriations were \$13,190,116. The actual budget basis expenditures and other financing uses for fiscal year 2016 totaled \$12,679,190, which was \$510,926 less than the final budget appropriations.

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2016, the District had \$3,267,998 invested in land, buildings and improvements, furniture and equipment, and vehicles. The entire amount is reported in governmental activities. The following table shows fiscal year 2016 balances compared to 2015:

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

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Land	\$ 78,472	\$ 78,472
Building and improvements	2,329,056	2,291,375
Furniture and equipment	493,740	579,700
Vehicles	<u>366,730</u>	<u>190,809</u>
Total	<u>\$ 3,267,998</u>	<u>\$ 3,140,356</u>

Total additions to capital assets for 2016 were \$509,814. Disposals to capital assets for 2016 were \$44,068 (net of accumulated depreciation). Depreciation expense for fiscal 2016 was \$338,104. Overall, capital assets of the District increased \$127,642.

See Note 9 to the basic financial statements for additional information on the District's capital assets.

***Debt Administration***

At June 30, 2016, the District had \$789,675 in capital lease agreements and an OASBO pool loan outstanding. Of this total, \$109,012 is due within one year and \$680,663 is due within greater than one year. The following table summarizes the lease agreements and loan outstanding.

**Outstanding Debt, at Year End**

	<u>Governmental Activities 2016</u>	<u>Governmental Activities 2015</u>
	Capital lease agreements	\$ 72,615
OASBO pool loan	<u>717,060</u>	<u>793,060</u>
Total	<u>\$ 789,675</u>	<u>\$ 906,579</u>

See Note 11 to the basic financial statements for additional information on the District's debt administration.

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

**Current Financial Related Activities**

The Loudonville-Perrysville Exempted Village School District continues to receive strong support from the residents of the District. As the preceding information shows, the District relies heavily on its local property taxpayers. The residents of the District passed a new emergency levy in November 2004 and renewed the levy in May 2013 for ten years. The Board of Education anticipates that proceeds from this levy will sustain the District through fiscal year 2020.

The District has been affected by changes in the personal property tax structure (utility deregulation) and commercial business/property uncertainties. During the summer of 2005, the Ohio legislature approved Ohio House Bill 66, which includes the elimination of the tangible property and public utility property (telephone companies and railroads) – roughly 5.00% of the District's general fund revenues. While this discontinued revenue was to be partially reimbursed by the State of Ohio, HB 153 now phases out all except \$88,000 of the reimbursement by fiscal year 2013. This amount is to be phased out 20.00% each year beginning in fiscal year 2017 as part of HB64.

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

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

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ms. Marie Beddow, Treasurer at 210 E. Main Street, Loudonville, Ohio 44842, phone 419-994-3562.

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2016

		<b>Governmental Activities</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents. . . . .	\$	5,335,702
Receivables:		
Property taxes . . . . .		5,421,509
Income taxes. . . . .		609,652
Accounts. . . . .		20,000
Accrued interest . . . . .		7,057
Intergovernmental . . . . .		329,823
Prepayments . . . . .		10,834
Materials and supplies inventory. . . . .		1,520
Inventory held for resale. . . . .		11,245
Capital assets:		
Nondepreciable capital assets . . . . .		78,472
Depreciable capital assets, net . . . . .		3,189,526
Capital assets, net . . . . .		<u>3,267,998</u>
Total assets . . . . .		<u>15,015,340</u>
<b>Deferred outflows of resources:</b>		
Pension - STRS . . . . .		1,376,731
Pension - SERS . . . . .		453,649
Total deferred outflows of resources . . . . .		<u>1,830,380</u>
<b>Liabilities:</b>		
Accounts payable. . . . .		43,144
Accrued wages and benefits payable . . . . .		1,080,343
Intergovernmental payable . . . . .		38,789
Pension obligation payable. . . . .		170,117
Accrued interest payable . . . . .		2,715
Claims payable. . . . .		170,745
Accrued vacation payable. . . . .		39,392
Long-term liabilities:		
Due within one year . . . . .		223,497
Due in more than one year:		
Net pension liability . . . . .		17,362,394
Other amounts due in more than one year		1,683,328
Total liabilities . . . . .		<u>20,814,464</u>
<b>Deferred inflows of resources:</b>		
Property taxes levied for the next fiscal year. . . . .		4,028,725
Pension - STRS . . . . .		1,314,889
Pension - SERS . . . . .		83,890
Total deferred inflows of resources . . . . .		<u>5,427,504</u>
<b>Net position:</b>		
Net investment in capital assets . . . . .		2,485,390
Restricted for:		
Capital projects. . . . .		268,016
Locally funded programs. . . . .		14,737
State funded programs . . . . .		1,509
Federally funded programs. . . . .		6,966
Student activities . . . . .		38,085
Other purposes . . . . .		102,664
Unrestricted (deficit). . . . .		<u>(12,313,615)</u>
Total net position (deficit). . . . .	\$	<u>(9,396,248)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
				Total
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 5,251,067	\$ 734,661	\$ 151,047	\$ (4,365,359)
Special . . . . .	2,218,473	413,200	1,198,224	(607,049)
Vocational . . . . .	274,224	-	76,743	(197,481)
Other. . . . .	1,236,662	-	9,561	(1,227,101)
Support services:				
Pupil . . . . .	516,589	7,777	61	(508,751)
Instructional staff . . . . .	731,322	45,079	14,430	(671,813)
Board of education . . . . .	24,039	-	-	(24,039)
Administration. . . . .	1,274,862	111,937	8,012	(1,154,913)
Fiscal . . . . .	415,262	-	-	(415,262)
Business. . . . .	11,453	-	-	(11,453)
Operations and maintenance. . . . .	1,014,715	592	-	(1,014,123)
Pupil transportation . . . . .	571,380	3,311	18,160	(549,909)
Central . . . . .	11,695	-	-	(11,695)
Operation of non-instructional services:				
Other non-instructional services . . . . .	20,974	-	303	(20,671)
Food service operations . . . . .	524,690	187,429	278,008	(59,253)
Extracurricular activities . . . . .	458,946	137,223	5,546	(316,177)
Interest and fiscal charges . . . . .	40,740	-	-	(40,740)
<b>Total governmental activities . . . . .</b>	<b>\$ 14,597,093</b>	<b>\$ 1,641,209</b>	<b>\$ 1,760,095</b>	<b>(11,195,789)</b>
<b>General revenues:</b>				
Property taxes levied for:				
General purposes . . . . .				4,861,184
Capital outlay. . . . .				244,889
Income taxes levied for:				
General purposes . . . . .				1,760,156
Grants and entitlements not restricted				
to specific programs . . . . .				5,537,393
Investment earnings . . . . .				35,191
Miscellaneous . . . . .				45,962
<b>Total general revenues . . . . .</b>				<b>12,484,775</b>
Change in net position . . . . .				1,288,986
<b>Net position (deficit) at beginning of year. . . . .</b>				<b>(10,685,234)</b>
<b>Net position (deficit) at end of year. . . . .</b>				<b>\$ (9,396,248)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Equity in pooled cash and cash equivalents. . . . .	\$ 4,337,428	\$ 342,785	\$ 4,680,213
Receivables:			
Property taxes. . . . .	5,155,390	266,119	5,421,509
Income taxes . . . . .	609,652	-	609,652
Accounts . . . . .	-	20,000	20,000
Accrued interest . . . . .	7,057	-	7,057
Interfund loans . . . . .	53,427	-	53,427
Intergovernmental. . . . .	35,083	294,740	329,823
Prepayments. . . . .	10,543	291	10,834
Materials and supplies inventory. . . . .	-	1,520	1,520
Inventory held for resale. . . . .	-	11,245	11,245
Due from other funds . . . . .	31,623	-	31,623
Total assets . . . . .	<u>\$ 10,240,203</u>	<u>\$ 936,700</u>	<u>\$ 11,176,903</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 29,957	\$ 13,187	\$ 43,144
Accrued wages and benefits payable . . . . .	959,118	121,225	1,080,343
Compensated absences payable . . . . .	1,722	-	1,722
Intergovernmental payable . . . . .	37,494	1,295	38,789
Pension obligation payable . . . . .	155,189	14,928	170,117
Interfund loans payable. . . . .	-	53,427	53,427
Due to other funds . . . . .	-	31,623	31,623
Total liabilities. . . . .	<u>1,183,480</u>	<u>235,685</u>	<u>1,419,165</u>
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year . . . . .	3,830,972	197,753	4,028,725
Delinquent property tax revenue not available. . . . .	266,190	13,741	279,931
Intergovernmental revenue not available . . . . .	809	59,104	59,913
Accrued interest not available . . . . .	7,057	-	7,057
Tuition not available . . . . .	-	68,492	68,492
Total deferred inflows of resources . . . . .	<u>4,105,028</u>	<u>339,090</u>	<u>4,444,118</u>
<b>Fund balances:</b>			
Nonspendable:			
Materials and supplies inventory . . . . .	-	1,520	1,520
Prepays. . . . .	10,543	291	10,834
Unclaimed monies . . . . .	3,493	-	3,493
Restricted:			
Capital improvements . . . . .	-	254,275	254,275
Targeted academic assistance . . . . .	-	1,876	1,876
Other purposes. . . . .	-	59,068	59,068
Extracurricular. . . . .	-	38,085	38,085
Committed:			
Student instruction. . . . .	124,934	-	124,934
Student and staff support . . . . .	31,772	-	31,772
Other purposes . . . . .	-	119,620	119,620
Underground storage tank . . . . .	11,000	-	11,000
Assigned:			
Student instruction . . . . .	18,339	-	18,339
Student and staff support. . . . .	3,276	-	3,276
Public school support. . . . .	32,309	-	32,309
Facilities acquisition and construction . . . . .	1,065	-	1,065
Other purposes . . . . .	363	-	363
Unassigned (deficit). . . . .	4,714,601	(112,810)	4,601,791
Total fund balances . . . . .	<u>4,951,695</u>	<u>361,925</u>	<u>5,313,620</u>
Total liabilities, deferred inflows and fund balances . . . . .	<u>\$ 10,240,203</u>	<u>\$ 936,700</u>	<u>\$ 11,176,903</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2016

<b>Total governmental fund balances</b>		\$	5,313,620
<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.			3,267,998
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Taxes receivable	\$	279,931	
Accounts receivable		68,492	
Accrued interest receivable		7,057	
Intergovernmental receivable		59,913	
Total		415,393	415,393
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.			484,744
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(2,715)
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		1,830,380	
Deferred inflows of resources - pension		(1,398,779)	
Net pension liability		(17,362,394)	
Total		(16,930,793)	(16,930,793)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Capital lease obligations		(72,615)	
Compensated absences		(1,115,428)	
Accrued vacation payable		(39,392)	
OASBO pool loan		(717,060)	
Total		(1,944,495)	(1,944,495)
<b>Net position (deficit) of governmental activities</b>		\$	(9,396,248)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<b>General</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>			
From local sources:			
Property taxes . . . . .	\$ 4,865,470	\$ 244,758	\$ 5,110,228
Income taxes. . . . .	1,760,156	-	1,760,156
Tuition. . . . .	478,456	861,801	1,340,257
Transportation fees. . . . .	3,311	-	3,311
Earnings on investments . . . . .	29,432	-	29,432
Charges for services . . . . .	-	187,429	187,429
Extracurricular. . . . .	17,793	137,223	155,016
Classroom materials and fees . . . . .	24,388	-	24,388
Rental income . . . . .	592	-	592
Contributions and donations . . . . .	-	47,587	47,587
Other local revenues . . . . .	45,962	29,258	75,220
Intergovernmental - state . . . . .	6,037,912	27,573	6,065,485
Intergovernmental - federal . . . . .	102,391	993,663	1,096,054
Total revenues . . . . .	<u>13,365,863</u>	<u>2,529,292</u>	<u>15,895,155</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular. . . . .	4,749,192	351,715	5,100,907
Special . . . . .	1,187,443	1,030,010	2,217,453
Vocational . . . . .	251,796	4,669	256,465
Other . . . . .	1,229,747	7,291	1,237,038
Support services:			
Pupil . . . . .	516,306	7,305	523,611
Instructional staff . . . . .	675,248	57,461	732,709
Board of education . . . . .	24,166	-	24,166
Administration . . . . .	1,130,586	112,036	1,242,622
Fiscal . . . . .	415,332	-	415,332
Business. . . . .	11,453	-	11,453
Operations and maintenance . . . . .	810,144	-	810,144
Pupil transportation . . . . .	747,407	-	747,407
Central . . . . .	11,695	-	11,695
Operation of non-instructional services:			
Other operation of non-instructional. . . . .	22,730	273	23,003
Food service operations. . . . .	-	514,481	514,481
Extracurricular activities . . . . .	329,849	141,959	471,808
Facilities acquisition and construction. . . . .	153,718	162,803	316,521
Debt service:			
Principal retirement. . . . .	98,948	17,956	116,904
Interest and fiscal charges . . . . .	40,178	843	41,021
Total expenditures . . . . .	<u>12,405,938</u>	<u>2,408,802</u>	<u>14,814,740</u>
Excess of revenues over expenditures. . . . .	<u>959,925</u>	<u>120,490</u>	<u>1,080,415</u>
<b>Other financing sources (uses):</b>			
Sale of assets . . . . .	320	1	321
Transfers in. . . . .	3	-	3
Transfers (out). . . . .	-	(3)	(3)
Total other financing sources (uses) . . . . .	<u>323</u>	<u>(2)</u>	<u>321</u>
Net change in fund balances . . . . .	960,248	120,488	1,080,736
<b>Fund balances at beginning of year . . . . .</b>	<u>3,991,447</u>	<u>241,437</u>	<u>4,232,884</u>
<b>Fund balances at end of year. . . . .</b>	<u>\$ 4,951,695</u>	<u>\$ 361,925</u>	<u>\$ 5,313,620</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND 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, 2016

<b>Net change in fund balances - total governmental funds</b>	\$	1,080,736
<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	\$ 509,814	
Current year depreciation	(338,104)	
Total	171,710	171,710
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(44,068)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent property taxes	(4,155)	
Tuition	(69,784)	
Intergovernmental revenue	59,913	
Interest revenue	5,759	
Total	(8,267)	(8,267)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		976,347
Except for amounts reported as deferred inflows/ outflows, changes in the net pension liability are reported as pension expense in the statement of activities		
		(868,244)
Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. Less interest is reported in the statement of activities due to the decrease in accrued interest payable.		
		281
Repayment of loan and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net pension		
		116,904
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.		
Compensated absences	(107,004)	
Accrued vacation	583	
Total	(106,421)	(106,421)
An internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities		
		(29,992)
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>1,288,986</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND 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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 4,711,414	\$ 4,711,414	\$ 5,006,696	\$ 295,282
Income taxes . . . . .	1,675,940	1,675,940	1,774,266	98,326
Tuition . . . . .	439,488	439,488	456,352	16,864
Transportation fees . . . . .	2,874	2,874	3,104	230
Earnings on investments . . . . .	16,089	16,089	22,515	6,426
Classroom materials and fees . . . . .	20,441	20,441	22,471	2,030
Rental income . . . . .	76	76	592	516
Other local revenues . . . . .	40,096	40,096	47,038	6,942
Intergovernmental - state . . . . .	6,014,981	6,014,981	6,024,459	9,478
Intergovernmental - federal . . . . .	26,032	26,032	98,054	72,022
Total revenues . . . . .	<u>12,947,431</u>	<u>12,947,431</u>	<u>13,455,547</u>	<u>508,116</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	5,190,744	5,190,744	4,806,938	383,806
Special . . . . .	1,223,318	1,223,318	1,191,248	32,070
Vocational . . . . .	186,192	186,192	249,857	(63,665)
Other . . . . .	1,341,391	1,341,391	1,353,789	(12,398)
Support services:				
Pupil . . . . .	561,174	561,174	529,862	31,312
Instructional staff . . . . .	656,640	656,640	699,896	(43,256)
Board of education . . . . .	27,564	27,564	24,269	3,295
Administration . . . . .	1,158,190	1,158,190	1,133,523	24,667
Fiscal . . . . .	411,794	411,794	419,320	(7,526)
Business . . . . .	10,000	10,000	11,373	(1,373)
Operations and maintenance . . . . .	904,041	904,041	812,443	91,598
Pupil transportation . . . . .	878,633	878,633	755,270	123,363
Central . . . . .	10,000	10,000	11,695	(1,695)
Other operation of non-instructional services	20,000	20,000	20,000	-
Extracurricular activities . . . . .	337,835	337,835	339,282	(1,447)
Facilities acquisition and construction . . . . .	159,795	159,795	155,193	4,602
Debt service:				
Principal . . . . .	76,000	76,000	76,000	-
Interest and fiscal charges . . . . .	35,805	35,805	35,805	-
Total expenditures . . . . .	<u>13,189,116</u>	<u>13,189,116</u>	<u>12,625,763</u>	<u>563,353</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(241,685)</u>	<u>(241,685)</u>	<u>829,784</u>	<u>1,071,469</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	5,000	5,000	25,005	20,005
Transfers in . . . . .	-	-	3	3
Advances in . . . . .	74,569	74,569	74,569	-
Advances (out) . . . . .	(1,000)	(1,000)	(53,427)	(52,427)
Sale of capital assets . . . . .	1,000	1,000	320	(680)
Total other financing sources (uses) . . . . .	<u>79,569</u>	<u>79,569</u>	<u>46,470</u>	<u>(33,099)</u>
Net change in fund balance . . . . .	(162,116)	(162,116)	876,254	1,038,370
<b>Fund balance at beginning of year . . . . .</b>	<b>3,150,892</b>	<b>3,150,892</b>	<b>3,150,892</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>87,162</b>	<b>87,162</b>	<b>87,162</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b><u>\$ 3,075,938</u></b>	<b><u>\$ 3,075,938</u></b>	<b><u>\$ 4,114,308</u></b>	<b><u>\$ 1,038,370</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2016

		<b>Governmental Activities - Internal Service Fund</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$	655,489
Total assets. . . . .		<u>655,489</u>
<b>Liabilities:</b>		
Claims payable . . . . .		170,745
Total liabilities . . . . .		<u>170,745</u>
<b>Net position:</b>		
Unrestricted. . . . .		484,744
Total net position. . . . .	\$	<u><u>484,744</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

		<b>Governmental Activities - Internal Service Fund</b>
<b>Operating revenues:</b>		
Charges for services. . . . .	\$	2,123,602
		2,123,602
Total operating revenues . . . . .		2,123,602
<b>Operating expenses:</b>		
Purchased services. . . . .		532,853
Claims . . . . .		1,620,741
		2,153,594
Total operating expenses . . . . .		2,153,594
Operating loss/change in net position . . . . .		(29,992)
<b>Net position at beginning of year . . . . .</b>		<b>514,736</b>
<b>Net position at end of year . . . . .</b>	<b>\$</b>	<b>484,744</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

		<b>Governmental Activities - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>		
Cash received from charges for services . . . . .	\$	2,123,602
Cash payments for purchased services . . . . .		(532,853)
Cash payments for claims expense. . . . .		(1,628,800)
		(38,051)
Net cash used in operating activities . . . . .		(38,051)
Net decrease in cash and cash equivalents . . . . .		(38,051)
<b>Cash and cash equivalents at beginning of year . . .</b>		<b>693,540</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>\$</b>	<b>655,489</b>
 <b>Reconciliation of operating loss to net cash used in operating activities:</b>		
Operating loss . . . . .	\$	(29,992)
Changes in assets and liabilities:		
Decrease in claims payable . . . . .		(8,059)
Net cash used in operating activities. . . . .	<b>\$</b>	<b>(38,051)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2016**

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 14,760
Total assets . . . . .	<u>\$ 14,760</u>
<b>Liabilities:</b>	
Accounts payable . . . . .	\$ 3,001
Due to students . . . . .	<u>11,759</u>
Total liabilities . . . . .	<u>\$ 14,760</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**THIS PAGE INTENTIONALLY LEFT BLANK**



**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

The Loudonville-Perrysville Exempted Village School District (the "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 District is an exempted village school district as defined by Section 3311.04 of the Ohio Revised Code. The District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the District.

The District ranks as the 420<sup>th</sup> largest by enrollment among the 612 public school districts in the State. The District employs 55 non-certified and 95 certified full-time and part-time employees to provide services to 1,129 students.

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

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 District's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

The following organizations are described due to their relationship to the District.

*JOINTLY GOVERNED ORGANIZATIONS*

Tri-County Computer Service Association

The Tri-County Computer Service Association (TCCSA) is a jointly governed organization comprised of 20 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic technology for administrative and instructional functions for member school districts. Each of the governments of these school districts supports TCCSA based on a per pupil charge dependent upon the software package utilized. The TCCSA assembly consists of a superintendent or designated representative from each participating school district and a representative from the fiscal agent. TCCSA is governed by a Board of Directors chosen from the general membership of the TCCSA assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating school districts are located. Financial information can be obtained by contacting the Treasurer at TCCSA, located in Wooster, Ohio. During the year ended June 30, 2016, the District paid \$160,765 to TCCSA for basic service charges.

Ashland County - West Holmes Career Center

The Ashland County-West Holmes Career Center (the "Career Center"), a joint vocational school established by the Ohio Revised Code, is a jointly governed organization providing vocational services to its eleven-member school districts. The Career Center is governed by a Board of Education comprised of eleven members appointed by the participating schools. The Board controls the financial activity of the Career Center and reports to the Ohio Department of Education and the Auditor of the State of Ohio. The continued existence of the Career Center is not dependent on the District's continued participation and no measurable equity interest exists.

*RELATED ORGANIZATION*

The Loudonville Public Library

The Loudonville Public Library (the "Library") is a related organization to the District. The School Board members are responsible for appointing all the trustees of the Library; however, the school board cannot influence the Library's operation, nor does the Library represent a potential financial benefit or burden to the District. The District serves in a ministerial capacity as the taxing authority for the Library. Once the Library determines to present a levy to the voters, including the determination of the rate and duration, the District must place the levy on the ballot. The Library may not issue debt and determines its own budget. The Library did not receive any funding from the District during fiscal year 2016.

School of Ohio Risk Sharing Authority

The District also participates in the Schools of Ohio Risk Sharing Authority Board (SORSA), an insurance purchasing pool. SORSA's business affairs are conducted by a nine member Board of directors consisting of a President, Vice President, Secretary, Treasurer and five delegates. SORSA was created to provide joint self-insurance coverage and to assist members to prevent and reduce losses and injuries to the District's property and person. It is intended to provide liability and property insurance at reduced premiums for the participants. SORSA is organized as a nonprofit corporation under provisions of Ohio Revised Code 2744.

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

*General fund* - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition of construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

*PROPRIETARY FUND*

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

*Internal service fund* - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides medical/surgical, dental and vision benefits to employees.

*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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal net position) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

**C. Basis of Presentation and Measurement Focus**

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

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 District are included on the statement of net position.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources 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.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenue of the District's internal service fund is charges for services. Operating expenses for the internal service fund includes claims and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

Agency funds do not report a measurement focus as they do not report operations.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Nonexchange 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 District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to the 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, income taxes, interest, tuition, grants, 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 District, see Note 13 for deferred outflows of resources related the District's net pension liability.

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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 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, 2016, but which were levied to finance fiscal year 2017 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 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 District, see Note 13 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

**E. Budgets**

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 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 budgetary control has been established by the Board of Education at the fund level for all funds. The treasurer has been given the authority to allocate Board appropriations to the function and object levels within each fund. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present the general fund budgetary statement comparison at the fund and function level.

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

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 in the budgetary statements reflect the final appropriations passed by the Board during the year.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During fiscal year 2016, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), negotiable certificates of deposit and U.S. Government money market mutual funds. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Government Accounting Standards Board (GASB) Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures their 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 2016, 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 \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes, all investment earnings are assigned to the general fund, unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2016 amounted to \$29,432, which includes \$5,729 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year end is provided in Note 4.

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

**G. Inventory**

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of donated food and purchased food held for resale.

**H. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,000. 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. The District does not possess infrastructure.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	10 - 45 years
Furniture and equipment	10 years
Vehicles	5 - 10 years

**I. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

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 District's past experience of making termination payments.

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



**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

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

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service fund are reported on the proprietary fund financial statements.

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

**K. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the 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 expected to be converted to cash. It also includes the long-term amount of loans receivable.

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

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

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

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**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 contained 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 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.

**L. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for scholarship and trust funds.

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

**M. 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.

**N. Estimates**

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

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

**O. Interfund Activity**

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 and after nonoperating revenues/expenses in proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

**P. Pensions**

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

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2016.

**R. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivable/payable." Interfund loans that are used to cover negative cash balances are classified as "due to/from other funds". These amounts are eliminated in the governmental activities column on the statement of net position.

**S. Fair Market Value**

The 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.

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2016, the District has implemented GASB Statement No. 72, "*Fair Value Measurement and Application*", GASB Statement No. 73 "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*", GASB Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*", and GASB Statement No. 79, "*Certain External Investment Pools and Pool Participants*".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2016 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 77,097
IDEA Part-B	18,811
Title I - Disadvantaged children	12,058
Improving teacher quality	3,033

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

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 4 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the 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 District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Interim monies 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 market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in 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 (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

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 District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Deposits with Financial Institutions**

At June 30, 2016, the carrying amount of all District deposits was \$1,317,009. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2016, \$575,604 of the District’s bank balance of \$1,385,016 was exposed to custodial risk as discussed below, while \$809,412 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**B. Investments**

As of June 30, 2016, the District had the following investments and maturities:

Investment type	Fair Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
STAR Ohio	\$ 2,479,415	\$ 2,479,415	\$ -	\$ -	\$ -	\$ -
Negotiable certificates of deposit	1,505,864	250,288	-	251,175	501,527	502,874
U.S. Government money market mutual fund	48,174	48,174	-	-	-	-
<b>Total</b>	<b>\$ 4,033,453</b>	<b>\$ 2,777,877</b>	<b>\$ -</b>	<b>\$ 251,175</b>	<b>\$ 501,527</b>	<b>\$ 502,874</b>

The District’s investments in U.S. Government Money Market Mutual Funds and negotiable certificates of deposit are valued using quoted market prices (Level 1 inputs).

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

*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 District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* Standard & Poor's has assigned STAR Ohio and the U.S. government money market mutual fund an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The 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 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 District at June 30, 2016:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$ 2,479,415	61.47
Negotiable certificates of deposit	1,505,864	37.33
U.S. Government money market mutual fund	<u>48,174</u>	<u>1.20</u>
Total	<u>\$ 4,033,453</u>	<u>100.00</u>

**C. 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, 2016:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,317,009
Investments	<u>4,033,453</u>
Total	<u>\$ 5,350,462</u>

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 5,335,702
Agency fund	<u>14,760</u>
Total	<u>\$ 5,350,462</u>

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund loans to/from other funds consisted of the following at June 30, 2016, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental fund	<u>\$ 53,427</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

- B. The District had the following amounts report as “due to/ due from other funds” on the financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 31,623</u>

The primary purpose of the interfund balances is to cover negative cash balances in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2016 are reported on the statement of net position.

**C. Interfund Transfers**

Interfund transfers for the fiscal year ended June 30, 2016, consisted of the following, as reported on the fund financial statements:

<u>Transfers from nonmajor governmental funds to:</u>	<u>Amount</u>
General fund	<u>\$ 3</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs account for in other fund in accordance with budget authorizations.

The District’s transfer of \$3 from miscellaneous state grant fund (a nonmajor governmental fund) to the general fund was to close-out the fund.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.



**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the 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 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market 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 2016 represent the collection of calendar year 2015 taxes. Public utility real and personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, 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 District receives property taxes from Ashland, Holmes, Knox and Richland Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available as an advance at June 30, 2016 was \$1,058,228 in the general fund and \$54,625 in the permanent improvement fund (a non-major governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2015 was \$1,199,454 in the general fund and \$60,355 in the permanent improvement fund (a non-major 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.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2016 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 2016 taxes were collected are:

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 6 - PROPERTY TAXES - (Continued)**

	2015 Second Half Collections		2016 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 159,694,540	88.05	\$ 159,069,450	87.51
Public utility personal	<u>21,679,570</u>	<u>11.95</u>	<u>22,712,510</u>	<u>12.49</u>
Total	<u>\$ 181,374,110</u>	<u>100.00</u>	<u>\$ 181,781,960</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$39.81		\$39.81	

**NOTE 7 - INCOME TAXES**

The District levies a voted tax of 1.25 percent for general operations on the income of residents and of estates. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. During fiscal year 2016, \$1,760,156 of income tax revenue was credited to the general fund.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2016 consisted of taxes, intergovernmental grants and entitlements, accounts and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of receivables reported on the statement of net position follows:

**Governmental activities:**

Taxes:	
Property	\$ 5,421,509
Income	609,652
Accounts	20,000
Intergovernmental	329,823
Accrued interest	<u>7,057</u>
Total	<u>\$ 6,388,041</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 78,472	\$ -	\$ -	\$ 78,472
Total capital assets, not being depreciated	<u>78,472</u>	<u>-</u>	<u>-</u>	<u>78,472</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	6,685,903	198,428	-	6,884,331
Furniture and equipment	2,077,321	42,259	(241,741)	1,877,839
Vehicles	1,409,150	269,127	(224,418)	1,453,859
Total capital assets, being depreciated	<u>10,172,374</u>	<u>509,814</u>	<u>(466,159)</u>	<u>10,216,029</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(4,394,528)	(160,747)	-	(4,555,275)
Furniture and equipment	(1,497,621)	(97,903)	211,425	(1,384,099)
Vehicles	(1,218,341)	(79,454)	210,666	(1,087,129)
Total accumulated depreciation	<u>(7,110,490)</u>	<u>(338,104)</u>	<u>422,091</u>	<u>(7,026,503)</u>
Governmental activities capital assets, net	<u>\$ 3,140,356</u>	<u>\$ 171,710</u>	<u>\$ (44,068)</u>	<u>\$ 3,267,998</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 152,508
Vocational	888
<u>Support services:</u>	
Fiscal	1,494
Instructional staff	120
Administration	2,525
Operations and maintenance	41,639
Pupil transportation	85,281
Extracurricular activities	51,328
Food service operations	<u>2,321</u>
Total depreciation expense	<u>\$ 338,104</u>

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE**

In prior years, the District entered into capitalized leases for copier and computer equipment. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements. Capital assets acquired by lease have been capitalized in the amount of \$114,418, which is equal to the present value of the future minimum lease payments as of the date of their inception. Accumulated depreciation as of June 30, 2016 was \$55,246, leaving a current book value of \$59,172. A corresponding liability was recorded in the statement of net position. Principal payments in the 2016 fiscal year totaled \$40,904.

At June 30, 2016, the computer equipment acquired by lease purchase totaled \$52,576 and have not been capitalized due to each item being under the capitalization threshold.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2016:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 33,022
2018	17,474
2019	17,474
2020	<u>10,682</u>
Total	78,652
Less: amount representing interest	<u>(6,037)</u>
Present value of minimum lease payments	<u>\$ 72,615</u>

**NOTE 11 - LONG-TERM OBLIGATIONS**

A. During the fiscal year 2016, the following changes occurred in governmental activities long-term obligations:

	<u>Balance Outstanding June 30, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Outstanding June 30, 2016</u>	<u>Amounts Due in One Year</u>
Capital lease obligation	\$ 113,519	\$ -	\$ (40,904)	\$ 72,615	\$ 30,012
OASBO pool loan	793,060	-	(76,000)	717,060	79,000
Net pension liability	15,379,588	1,982,806	-	17,362,394	-
Compensated absences	<u>1,008,424</u>	<u>146,479</u>	<u>(37,753)</u>	<u>1,117,150</u>	<u>114,485</u>
Total governmental activities	<u>\$ 17,294,591</u>	<u>\$ 2,129,285</u>	<u>\$ (154,657)</u>	<u>\$ 19,269,219</u>	<u>\$ 223,497</u>

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

In October 2008, the Board of Education authorized the District to issue a loan through the OASBO Expanded Asset Pooled Financing Program for an amount not to exceed \$1,201,000. This financing has been used to pay for the District's HB264 program which includes stadium lighting, boiler replacement, building automation systems and lighting upgrades. In November 2008, the contract for the project was awarded to H.E.A.T. Total Facility Solutions, Inc. of Worthington, Ohio in the sum not to exceed \$1,023,000. The loan is scheduled to run through December 1, 2023 and has an interest rate of 4.30%. The loan liability is reflected in the fund which received the proceeds. The loan will be repaid from the general fund. As of June 30, 2016, only \$1,186,060 of the available amount has been received. The District may request additional funding based on project needs. The current schedule does not tie to the balance outstanding due to unrequested funds in the amount of \$14,940.

Fiscal Year Ended,	OASBO Pool Loan		
	Principal	Interest	Total
2017	\$ 79,000	\$ 32,201	\$ 111,201
2018	82,000	28,458	110,458
2019	86,000	24,552	110,552
2020	89,000	20,483	109,483
2021	93,000	16,252	109,252
2022 - 2025	<u>303,000</u>	<u>21,507</u>	<u>324,507</u>
Total	<u>\$ 732,000</u>	<u>\$ 143,453</u>	<u>\$ 875,453</u>

The capital leases will be paid from the general fund and the Mohican Youth Academy Fund. See Note 10 for further information.

Compensated absences - Compensated absences will be paid from the fund which the employee's salaries are paid which, for the District is primarily the general fund, and the following nonmajor governmental funds: IDEA Part B grants, Title I, improving teacher quality and the food service fund.

Net pension liability - See Note 13 for details.

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the 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 District. The assessed valuation used in determining the 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 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, 2016, are a voted debt margin of \$16,360,376 and an unvoted debt margin of \$181,782.

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 12 - RISK MANAGEMENT**

**A. Comprehensive**

The 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. Effective August 2006, the District joined the Schools of Ohio Risk Sharing Authority (SORSA) to insure for risks of loss. The District has a comprehensive property and casualty policy; limit is \$39,574,614 aggregate. There is no deductible for any incidents on property and equipment. The District's vehicle insurance policy limit is \$15,000,000 liability/property and \$10,000 medical with no collision deductible. All Board members, administrators and employees are covered under a District liability policy. The limits of this coverage are \$15,000,000 per occurrence and \$15,000,000 per aggregate. Settlements have not exceeded coverage in any of the last three years. There has not been a significant reduction in coverage from the prior year.

**B. Fidelity Bond**

The Board President, Superintendent and Treasurer have a \$75,000 position bond. All other school employees who are responsible for handling funds are covered by a \$100,000 fidelity bond.

**C. Workers' Compensation**

The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. The District is a member of the Ohio School Compensation Group Retrospective Rating Program. This rate is calculated based on accident history and administrative costs. The group presently consists of over 100 school districts.

**D. Employee Health Insurance**

The District is self insured for its medical/surgical, dental and vision insurance programs, providing our classified staff with one medical plan and our certified staff one medical plan. Premiums are paid into the self-insurance fund and are available to pay claims and administrative costs. A stop-loss insurance contract with a private insurance carrier covers specific liability claims in excess of \$75,000. Aggregate stop-loss claims are covered based on the aggregate stop-loss factor, times total plan population, times twelve months. The Board's share of the monthly premium follows:

	Single	Family
Certified Plan	\$ 630.03	\$ 1,475.10
Classified Plan	618.49	1,432.08

The claims liability of \$170,745 reported in the internal service fund at June 30, 2016 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity for the past two fiscal years are as follows:

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 12 - RISK MANAGEMENT - (Continued)**

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2016	\$ 178,804	\$ 1,620,741	\$ (1,628,800)	\$ 170,745
2015	158,000	1,785,059	(1,764,255)	178,804

**NOTE 13 - 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 District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the District’s obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the 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 obligation payable/ intergovernmental payable* on both the accrual and modified accrual bases of accounting.

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

Plan Description – 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	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$242,600 for fiscal year 2016. Of this amount, \$14,156 is reported as pension obligation payable/ intergovernmental payable.



**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

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 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

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

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

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 13 - 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. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District’s contractually required contribution to STRS was \$733,747 for fiscal year 2016. Of this amount, \$121,120 is reported as pension obligation payable/ intergovernmental 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, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the 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>
Proportionate Share of the Net Pension Liability	\$3,303,317	\$14,059,077	\$17,362,394
Proportion of the Net Pension Liability	0.05789100%	0.05087035%	
Pension Expense	\$267,719	\$600,525	\$868,244

At June 30, 2016, the 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	\$51,912	\$642,984	\$694,896
Changes in proportionate share	159,137	-	159,137
District contributions subsequent to the measurement date	<u>242,600</u>	<u>733,747</u>	<u>976,347</u>
Total Deferred Outflows of Resources	<u>\$453,649</u>	<u>\$1,376,731</u>	<u>\$1,830,380</u>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$83,890	\$1,050,839	\$1,134,729
Changes in proportionate share	<u>-</u>	<u>264,050</u>	<u>264,050</u>
Total Deferred Inflows of Resources	<u>\$83,890</u>	<u>\$1,314,889</u>	<u>\$1,398,779</u>

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

\$976,347 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2017	\$19,105	(\$306,741)	(\$287,636)
2018	19,105	(306,741)	(287,636)
2019	19,106	(306,739)	(287,633)
2020	<u>69,843</u>	<u>248,316</u>	<u>318,159</u>
Total	<u>\$127,159</u>	<u>(\$671,905)</u>	<u>(\$544,746)</u>

***Actuarial Assumptions - SERS***

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

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

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

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

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

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

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

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

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

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$4,580,513	\$3,303,317	\$2,227,812

***Actuarial Assumptions – STRS***

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

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

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

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

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

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

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$19,529,118	\$14,059,077	\$9,433,341

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

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

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

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the District's surcharge obligation was \$28,979.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$28,979, \$41,534, and \$29,392, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

**B. State Teachers Retirement System**

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$53,975, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

**NOTE 15 - 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.

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);

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

- (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); and,
- (e) 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 are as follows:

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ 876,254
Net adjustment for revenue accruals	(110,253)
Net adjustment for expenditure accruals	44,680
Net adjustment for other sources/uses	(46,147)
Funds budgeted elsewhere	(268)
Adjustment for encumbrances	195,982
GAAP basis	<u>\$ 960,248</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 teacher lounge fund, the unclaimed monies funds, the uniform school supplies fund, the public school support fund and the underground storage tank fund.

**NOTE 16 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, State and local 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.



**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 16 – CONTINGENCIES – (Continued)**

**C. Foundation Funding**

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 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 District, which can extend past the fiscal year-end. There were three adjustments to Foundation revenue. The first adjustment was \$1,617, which is recorded as an intergovernmental payable on the statement of net position. The second adjustment was \$2,065, which is recorded as an intergovernmental receivable on the statement of net position. The third adjustment was \$24,434, which is recorded as an intergovernmental payable on the statement of net position.

**NOTE 17 - SET-ASIDES**

The 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, 2015	\$ -
Current year set-aside requirement	194,682
Current year qualifying expenditures	(337,904)
Current year offsets	<u>(262,609)</u>
Total	<u>\$ (405,831)</u>
Balance carried forward to fiscal year 2017	<u>\$ -</u>
Set-aside balance June 30, 2016	<u>\$ -</u>

During fiscal year 2008, the District issued \$1,186,060 in capital related revenue bonds. These proceeds may be used to reduce the capital acquisition set-aside to zero in future years. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods. As of June 30, 2016, the balance of \$1,171,459 was available to be used as offsets in future years.

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 18 - OTHER COMMITMENTS**

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 180,379
Other governmental	<u>190,696</u>
Total	<u>\$ 371,075</u>

**THIS PAGE INTENTIONALLY LEFT BLANK**

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.05789100%	0.05374200%	0.05374200%
District's proportionate share of the net pension liability	\$ 3,303,317	\$ 2,719,852	\$ 3,195,864
District's covered-employee payroll	\$ 1,742,822	\$ 1,561,652	\$ 1,500,874
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	189.54%	174.17%	212.93%
Plan fiduciary net position as a percentage of the total pension liability	69.16%	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.05087035%	0.05204743%	0.05204743%
District's proportionate share of the net pension liability	\$ 14,059,077	\$ 12,659,736	\$ 15,080,195
District's covered-employee payroll	\$ 5,353,579	\$ 5,317,808	\$ 5,357,869
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	262.61%	238.06%	281.46%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 242,600	\$ 229,704	\$ 216,445	\$ 207,721
Contributions in relation to the contractually required contribution	<u>(242,600)</u>	<u>(229,704)</u>	<u>(216,445)</u>	<u>(207,721)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
District's covered-employee payroll	\$ 1,732,857	\$ 1,742,822	\$ 1,561,652	\$ 1,500,874
Contributions as a percentage of covered-employee payroll	14.00%	13.18%	13.86%	13.84%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 212,166	\$ 190,519	\$ 204,561	\$ 140,899	\$ 136,992	\$ 142,908
<u>(212,166)</u>	<u>(190,519)</u>	<u>(204,561)</u>	<u>(140,899)</u>	<u>(136,992)</u>	<u>(142,908)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,577,442	\$ 1,515,664	\$ 1,510,790	\$ 1,431,900	\$ 1,395,031	\$ 1,338,090
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 733,747	\$ 749,501	\$ 691,315	\$ 696,523
Contributions in relation to the contractually required contribution	<u>(733,747)</u>	<u>(749,501)</u>	<u>(691,315)</u>	<u>(696,523)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
District's covered-employee payroll	\$ 5,241,050	\$ 5,353,579	\$ 5,317,808	\$ 5,357,869
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%



<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 736,751	\$ 754,817	\$ 751,989	\$ 725,418	\$ 725,625	\$ 718,606
<u>(736,751)</u>	<u>(754,817)</u>	<u>(751,989)</u>	<u>(725,418)</u>	<u>(725,625)</u>	<u>(718,606)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,667,315	\$ 5,806,285	\$ 5,784,531	\$ 5,580,138	\$ 5,581,731	\$ 5,527,738
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

*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 2014-2016.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

*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 2014-2016.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

**LOUDONVILLE-PERRYVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY**

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

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program/Cluster Title	Federal CFDA Number	Total Federal Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
<i>Passed Through Ohio Department of Education</i>		
Child Nutrition Cluster:		
Non-Cash Assistance (Food Distribution)		
National School Lunch Program	10.555	\$ 28,742
Cash Assistance:		
School Breakfast Program	10.553	36,647
National School Lunch Program	10.555	197,845
Farm to School Training and Technical Assistance	10.559	432
Total Child Nutrition Cluster		263,666
<b>Total U.S. Department of Agriculture</b>		<b>263,666</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>		
<i>Passed Through Ohio Department of Education</i>		
Special Education - Grants to States	84.027	240,181
Title I Grants to Local Educational Agencies	84.010	468,806
Rural Education	84.358	12,696
Improving Teacher Quality State Grants	84.367	44,126
<b>Total U.S. Department of Education</b>		<b>765,809</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<b>\$ 1,029,475</b>

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

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY**

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

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Loudonville-Perrysville Exempted Village School District, Ashland County, (the District's) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows 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, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C - CHILD NUTRITION CLUSTER**

The 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 D – FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

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

Loudonville-Perrysville Exempted Village School District  
Ashland County  
210 East Main Street  
Loudonville, Ohio 44842

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 Loudonville-Perrysville Exempted Village School District, Ashland County, Ohio (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 14, 2016.

### ***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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

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

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

December 14, 2016



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Loudonville-Perrysville Exempted Village School District  
Ashland County  
210 East Main Street  
Loudonville, Ohio 44842

To the Board of Education:

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

We have audited the Loudonville-Perrysville Exempted Village School District's, Ashland County, Ohio (the District's) 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 Loudonville-Perrysville Exempted Village School District's major federal program for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

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

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

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

Our responsibility is to opine on the 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 Loudonville-Perrysville Exempted Village School District, Ashland County, Ohio 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, 2016.

**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 the major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

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



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

December 14, 2016



**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2016**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA # 84.027 – Special Education – Grants to States
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	Yes

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

**This page intentionally left blank.**



# Dave Yost • Auditor of State

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND 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  
JANUARY 24, 2017**