

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

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2014



Dave Yost • Auditor of State

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

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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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Loudonville-Perrysville Exempted Village School District, Ashland County, Ohio, as of June 30, 2014, 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* 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 Federal Awards Receipts and Expenditures Schedule presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate 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 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 19, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

December 19, 2014

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(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, 2014. 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 2014 are as follows:

- In total, net position of governmental activities decreased \$91,139 which represents a 1.61% decrease from 2013.
- General revenues accounted for \$11,535,110 in revenue or 79.11% of all revenues. Program specific revenues, in the form of charges for services and sales, grants and contributions accounted for \$3,046,728 or 20.89% of total revenues of \$14,581,838.
- The District had \$14,672,977 in expenses related to governmental activities; only \$3,046,728 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 \$11,535,110 were not adequate to provide for these programs.
- The District's major governmental fund is the general fund. The general fund had \$12,910,926 in revenues and other financing sources and \$12,526,268 in expenditures. During fiscal year 2014, the general fund's fund balance increased \$384,658 from a balance of \$2,803,902 to \$3,188,560.

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 2014?" 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-PERRYVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(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 15-16 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 11. 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* than 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 17-21 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 22-24 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 assets and liabilities on page 25. 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-PERRYVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(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 27-52 of this report.

The District as a Whole

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position for 2014 and 2013.

	Net Position	
	Governmental Activities 2014	Governmental Activities 2013
<u>Assets</u>		
Current and other assets	\$ 9,456,464	\$ 9,531,685
Capital assets, net	3,423,025	3,656,770
Total assets	12,879,489	13,188,455
<u>Liabilities</u>		
Current liabilities	1,596,632	1,581,188
Long-term liabilities	2,251,765	2,316,466
Total liabilities	3,848,397	3,897,654
<u>Deferred Inflows of Resources</u>		
Property taxes levied for the next fiscal year	3,445,205	3,613,775
Total deferred inflows of resources	3,445,205	3,613,775
<u>Net Position</u>		
Net investment in capital assets	2,503,906	2,690,682
Restricted	118,951	245,627
Unrestricted	2,963,030	2,740,717
Total net position	\$ 5,585,887	\$ 5,677,026

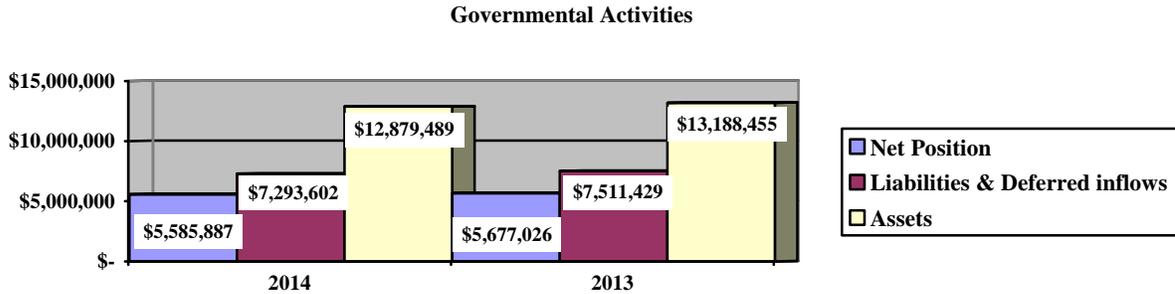
Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's assets exceeded liabilities and deferred inflows of resources by \$5,585,887.

At year-end, capital assets represented 26.58% of total assets. Capital assets include land, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets at June 30, 2014, was \$2,503,906. 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

A portion of the District's net position, \$118,951, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$2,963,030 may be used to meet the District's ongoing obligations to the students and creditors.



The table below shows the change in net position for fiscal year 2014 and 2013.

	<u>Change in Net Position</u>	
	<u>Governmental Activities 2014</u>	<u>Governmental Activities 2013</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,189,887	\$ 773,505
Operating grants and contributions	1,856,841	1,674,775
General revenues:		
Property taxes	4,875,628	4,992,201
Income taxes	1,647,839	1,599,906
Grants and entitlements	4,957,739	4,648,060
Investment earnings	10,667	9,279
Other	43,237	31,814
Total revenues	<u>14,581,838</u>	<u>13,729,540</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

Change in Net Position

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 5,406,574	\$ 5,221,200
Special	2,092,515	1,420,760
Vocational	207,480	149,976
Other	1,354,194	1,197,894
Support services:		
Pupil	549,390	592,119
Instructional staff	591,443	961,534
Board of education	25,610	23,109
Administration	1,106,381	943,148
Fiscal	383,336	394,752
Business	11,053	5,991
Operations and maintenance	1,039,316	1,113,009
Pupil transportation	790,697	748,598
Central	10,004	131,140
Operation of non-instructional services:		
Food service operations	555,286	456,898
Other non-instructional services	-	25,145
Extracurricular activities	504,122	546,787
Interest and fiscal charges	<u>45,576</u>	<u>48,245</u>
Total expenses	<u>14,672,977</u>	<u>13,980,305</u>
Change in net position	(91,139)	(250,765)
Net position at beginning of year	<u>5,677,026</u>	<u>5,927,791</u>
Net position at end of year	<u>\$ 5,585,887</u>	<u>\$ 5,677,026</u>

Governmental Activities

Net position of the District's governmental activities decreased \$91,139. Total governmental expenses of \$14,672,977 were offset by program revenues of \$3,046,728 and general revenues of \$11,535,110. Program revenues supported 20.76% 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 78.74% of total governmental revenue. Real estate property is reappraised every six years.

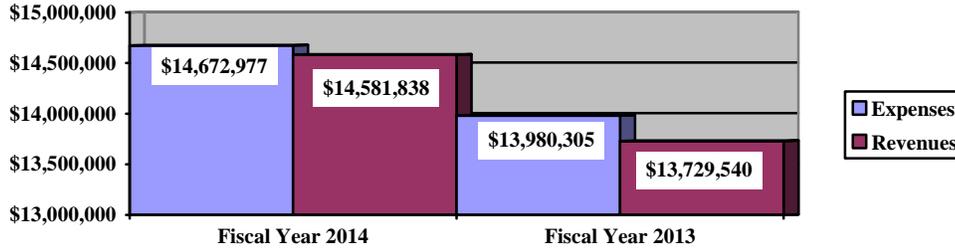
The largest expense of the District is for instructional programs. Instruction expenses totaled \$9,060,763 or 61.75% of total governmental expenses for fiscal 2014.

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2014 and 2013.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

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 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
Program expenses				
Instruction:				
Regular	\$ 5,406,574	\$ 4,489,821	\$ 5,221,200	\$ 4,638,049
Special	2,092,515	780,664	1,420,760	319,681
Vocational	207,480	178,622	149,976	124,916
Other	1,354,194	1,339,350	1,197,894	1,178,829
Support services:				
Pupil	549,390	548,948	592,119	591,685
Instructional staff	591,443	502,159	961,534	858,212
Board of education	25,610	25,610	23,109	22,715
Administration	1,106,381	1,098,848	943,148	935,671
Fiscal	383,336	383,336	394,752	394,752
Business	11,053	11,053	5,991	5,991
Operations and maintenance	1,039,316	1,038,043	1,113,009	1,112,363
Pupil transportation	790,697	767,541	748,598	734,207
Central	10,004	10,004	131,140	123,940
Food service operations	555,286	60,933	456,898	(13,452)
Operations of non-instructional services	-	-	25,145	25,054
Extracurricular activities	504,122	345,741	546,787	431,167
Interest and fiscal charges	45,576	45,576	48,245	48,245
Total expenses	<u>\$ 14,672,977</u>	<u>\$ 11,626,249</u>	<u>\$ 13,980,305</u>	<u>\$ 11,532,025</u>

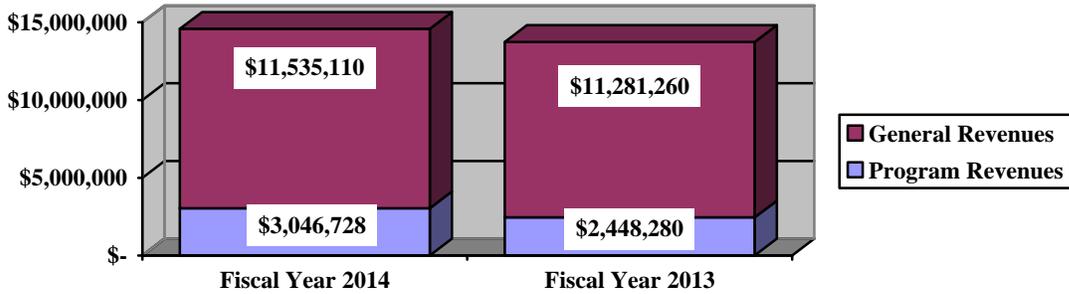
The dependence upon tax and other general revenues for governmental activities is apparent, 74.93% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 79.24%. The District's taxpayers and unrestricted grants and entitlements received from the State, as a whole, are by far the primary support for District's students.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

The graph below presents the District's governmental activities revenue for fiscal year 2014 and 2013.

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 \$3,292,927, which is higher than last year's total of \$3,081,551. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and 2013.

	Fund Balance <u>June 30, 2014</u>	Fund Balance <u>June 30, 2013</u>	Increase/ <u>(Decrease)</u>
General	\$ 3,188,560	\$ 2,803,902	\$ 384,658
Other Governmental	<u>104,367</u>	<u>277,649</u>	<u>(173,282)</u>
Total	<u>\$ 3,292,927</u>	<u>\$ 3,081,551</u>	<u>\$ 211,376</u>

General Fund

The table that follows 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, 2014
(UNAUDITED)**

	2014 <u>Amount</u>	2013 <u>Amount</u>	Percentage <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 6,467,814	\$ 6,539,185	(1.09) %
Tuition	698,773	423,842	64.87 %
Earnings on investments	11,372	11,900	(4.44) %
Intergovernmental	5,566,408	5,048,376	10.26 %
Other revenues	<u>99,402</u>	<u>88,885</u>	11.83 %
 Total	 <u>\$ 12,843,769</u>	 <u>\$ 12,112,188</u>	 6.04 %
<u>Expenditures</u>			
Instruction	7,866,012	7,020,265	12.05 %
Support services	4,154,020	4,428,697	(6.20) %
Operation of non-instructional services	4,621	22,596	(79.55) %
Extracurricular activities	302,645	340,809	(11.20) %
Facilities acquisition and construction	-	392,978	(100.00) %
Capital outlay	67,145	37,358	79.73 %
Debt service	<u>131,825</u>	<u>121,823</u>	8.21 %
 Total	 <u>\$ 12,526,268</u>	 <u>\$ 12,364,526</u>	 1.31 %

The District experienced a 6.04% or \$731,581 increase in general fund revenues. The most significant area of increase was in tuition. Tuition revenue increased \$274,931 or 64.87% due to an increase in open enrollment.

Expenditures in the general fund increased 1.31% or \$161,742. The District had an increase in capital outlay of \$29,787 or 79.73% in fiscal year 2014 related to the capital lease of copier and laptop equipment. Operation of non-instructional services had a decrease of \$17,975 or 79.55% due to fewer non-instructional program expenses. Facilities acquisition and construction also had a decrease of \$392,978 or 100% due to the lack of major construction projects in fiscal year 2014.

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 \$11,950,000. Actual revenues and other financing sources for fiscal 2014 was \$12,532,795, which was \$582,795 more than final budget revenues.

General fund original appropriations and other financing uses were \$12,872,228 and final appropriations and other financing sources and uses were \$12,920,348. The actual budget basis expenditures and other financing uses for fiscal year 2014 totaled \$12,555,970, which was \$364,378 less than the final budget appropriations.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2014, the District had \$3,423,025 invested in land, buildings and improvements, furniture and equipment, and vehicles. The entire amount is reported in governmental activities. The following table shows fiscal 2014 balances compared to 2013:

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

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Land	\$ 78,472	\$ 78,472
Building and improvements	2,517,398	2,666,277
Furniture and equipment	606,569	630,717
Vehicles	<u>220,586</u>	<u>281,304</u>
Total	<u>\$ 3,423,025</u>	<u>\$ 3,656,770</u>

Total additions to capital assets for 2014 were \$111,701. Disposals to capital assets for 2014 were \$3,516 (net of accumulated depreciation). Depreciation expense for fiscal 2014 was \$341,930. Overall, capital assets of the District decreased \$233,745.

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

Debt Administration

At June 30, 2014, the District had \$947,244 in capital lease agreements and an OASBO pool loan outstanding. Of this total, \$97,804 is due within one year and \$849,440 is due in more than one year. The following table summarizes the lease agreements and loan outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
Capital lease agreements	\$ 82,184	\$ 31,028
OASBO pool loan	<u>865,060</u>	<u>935,060</u>
Total	<u>\$ 947,244</u>	<u>\$ 966,088</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, 2014
(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 2015.

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% 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.

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, 2014**

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents.	\$ 3,577,083
Receivables:	
Property taxes.	4,911,910
Income taxes.	582,806
Accounts.	37
Accrued interest.	1,376
Intergovernmental.	364,814
Materials and supplies inventory	2,073
Inventory held for resale	16,365
Capital assets:	
Land.	78,472
Depreciable capital assets, net.	3,344,553
Capital assets, net.	<u>3,423,025</u>
 Total assets.	 <u>12,879,489</u>
 Liabilities:	
Accounts payable.	48,060
Accrued wages and benefits.	1,054,746
Pension obligation payable.	221,818
Intergovernmental payable.	75,340
Accrued interest payable	3,263
Claims payable	158,000
Accrued vacation payable.	35,405
Long-term liabilities:	
Due within one year.	219,297
Due in more than one year.	2,032,468
Total long-term liabilities.	<u>2,251,765</u>
Total liabilities.	<u>3,848,397</u>
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	3,445,205
Total deferred inflows of resources	<u>3,445,205</u>
 Net position:	
Net investment in capital assets	2,503,906
Restricted for:	
Capital projects	32,812
Locally funded programs	4,499
State funded programs.	7,005
Federally funded programs	20,203
Student activities	28,534
Other purposes	25,898
Unrestricted	<u>2,963,030</u>
Total net position.	<u>\$ 5,585,887</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, 2014**

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Total</u>
Governmental activities:				
Instruction:				
Regular	\$ 5,406,574	\$ 757,547	\$ 159,206	\$ (4,489,821)
Special	2,092,515	78,038	1,233,813	(780,664)
Vocational	207,480	-	28,858	(178,622)
Other	1,354,194	-	14,844	(1,339,350)
Support services:				
Pupil.	549,390	-	442	(548,948)
Instructional staff	591,443	-	89,284	(502,159)
Board of education	25,610	-	-	(25,610)
Administration.	1,106,381	-	7,533	(1,098,848)
Fiscal.	383,336	-	-	(383,336)
Business.	11,053	-	-	(11,053)
Operations and maintenance	1,039,316	523	750	(1,038,043)
Pupil transportation.	790,697	2,176	20,980	(767,541)
Central	10,004	-	-	(10,004)
Operation of non-instructional services:				
Food service operations	555,286	193,222	301,131	(60,933)
Extracurricular activities.	504,122	158,381	-	(345,741)
Interest and fiscal charges	45,576	-	-	(45,576)
Total governmental activities	\$ 14,672,977	\$ 1,189,887	\$ 1,856,841	(11,626,249)
General revenues:				
Property taxes levied for:				
General purposes				4,857,183
Capital projects.				18,445
Income taxes levied for:				
General purposes				1,647,839
Grants and entitlements not restricted				
to specific programs				4,957,739
Investment earnings.				10,667
Miscellaneous.				43,237
Total general revenues				11,535,110
Change in net position				(91,139)
Net position at beginning of year.				5,677,026
Net position at end of year				\$ 5,585,887

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 2,517,171	\$ 132,801	\$ 2,649,972
Receivables:			
Taxes	4,911,910	-	4,911,910
Income taxes	582,806	-	582,806
Accounts	37	-	37
Intergovernmental.	262,314	102,500	364,814
Accrued interest	1,376	-	1,376
Materials and supplies inventory.	-	2,073	2,073
Inventory held for resale	-	16,365	16,365
Total assets	<u>\$ 8,275,614</u>	<u>\$ 253,739</u>	<u>\$ 8,529,353</u>
Liabilities:			
Accounts payable	\$ 44,053	\$ 4,007	\$ 48,060
Accrued wages and benefits	936,998	117,748	1,054,746
Compensated absences payable	33,747	-	33,747
Pension obligation payable	201,726	20,092	221,818
Intergovernmental payable	67,815	7,525	75,340
Total liabilities.	<u>1,284,339</u>	<u>149,372</u>	<u>1,433,711</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year.	3,445,205	-	3,445,205
Delinquent property tax revenue not available.	273,669	-	273,669
Intergovernmental revenue not available.	83,841	-	83,841
Total deferred inflows of resources	<u>3,802,715</u>	<u>-</u>	<u>3,802,715</u>
Fund balances:			
Nonspendable:			
Materials and supplies inventory	-	18,438	18,438
Unclaimed monies	1,983	-	1,983
Restricted:			
Capital improvements	-	32,812	32,812
Targeted academic assistance	-	7,022	7,022
Other purposes.	-	51,011	51,011
Extracurricular.	-	28,534	28,534
Committed:			
Extracurricular.	51,186	-	51,186
Student and staff support	73,740	-	73,740
Underground storage tank	11,000	-	11,000
Assigned:			
Student and staff support.	5,406	-	5,406
Public school support	39,414	-	39,414
Subsequent year appropriations	1,000,261	-	1,000,261
Other purposes.	2,402	-	2,402
Unassigned (deficit)	2,003,168	(33,450)	1,969,718
Total fund balances	<u>3,188,560</u>	<u>104,367</u>	<u>3,292,927</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 8,275,614</u>	<u>\$ 253,739</u>	<u>\$ 8,529,353</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, 2014**

Total governmental fund balances	\$	3,292,927
<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.		3,423,025
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Taxes receivable	\$ 273,669	
Intergovernmental receivable	83,841	
Total		357,510
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.		769,111
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(3,263)
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	82,184	
Compensated absences	1,270,774	
Accrued vacation payable	35,405	
OASBO pool loan	865,060	
Total		(2,253,423)
Net position of governmental activities	\$	5,585,887

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOUDONVILLE-PERRYVILLE 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, 2014**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Property taxes	\$ 4,819,975	\$ 22,844	\$ 4,842,819
Income taxes	1,647,839	-	1,647,839
Tuition	698,773	-	698,773
Transportation fees	2,176	-	2,176
Earnings on investments	11,372	-	11,372
Charges for services	-	193,745	193,745
Extracurricular	29,067	158,381	187,448
Classroom materials and fees	24,922	-	24,922
Contributions and donations	-	27,403	27,403
Other local revenues	43,237	26,306	69,543
Intergovernmental - state	5,545,483	42,891	5,588,374
Intergovernmental - federal	20,925	1,156,258	1,177,183
Total revenues	12,843,769	1,627,828	14,471,597
Expenditures:			
Current:			
Instruction:			
Regular	5,015,338	163,679	5,179,017
Special	1,318,158	677,501	1,995,659
Vocational	197,012	-	197,012
Other	1,335,504	18,690	1,354,194
Support services:			
Pupil	540,481	451	540,932
Instructional staff	492,824	99,046	591,870
Board of education	25,610	-	25,610
Administration	1,094,681	9,762	1,104,443
Fiscal	384,030	-	384,030
Business	11,053	-	11,053
Operations and maintenance	871,843	1,694	873,537
Pupil transportation	723,494	-	723,494
Central	10,004	-	10,004
Operation of non-instructional services:			
Other operation of non-instructional services	4,621	518	5,139
Food service operations	-	536,861	536,861
Extracurricular activities	302,645	147,603	450,248
Facilities acquisition and construction	-	145,293	145,293
Capital outlay	67,145	-	67,145
Debt service:			
Principal retirement	85,989	-	85,989
Interest and fiscal charges	45,836	-	45,836
Total expenditures	12,526,268	1,801,098	14,327,366
Excess (deficiency) of revenues over (under) expenditures	317,501	(173,270)	144,231
Other financing sources (uses):			
Transfers in	12	-	12
Transfers (out)	-	(12)	(12)
Capital lease transaction	67,145	-	67,145
Total other financing sources (uses)	67,157	(12)	67,145
Net change in fund balances	384,658	(173,282)	211,376
Fund balances at beginning of year	2,803,902	277,649	3,081,551
Fund balances at end of year	\$ 3,188,560	\$ 104,367	\$ 3,292,927

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, 2014**

Net change in fund balances - total governmental funds	\$	211,376
<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	\$ 111,701	
Current year depreciation	(341,930)	
Total		(230,229)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(3,516)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent property taxes	32,809	
Intergovernmental revenue	78,137	
Interest revenue	(705)	
Total		110,241
Issuances of capital leases are recorded as other financing sources in the funds; however in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.		
		(67,145)
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.		
		260
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 position.		
		85,989
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	(7,318)	
Accrued vacation	11,916	
Total		4,598
The 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 expense of the internal service fund is allocated among the governmental activities.		
		(202,713)
Change in net position of governmental activities	\$	(91,139)

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, 2014**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 4,514,650	\$ 4,514,650	\$ 4,674,909	\$ 160,259
Income taxes	1,518,274	1,518,274	1,635,604	117,330
Tuition	512,917	512,917	572,027	59,110
Transportation fees	2,907	2,907	2,176	(731)
Earnings on investments	8,654	8,654	10,899	2,245
Classroom materials and fees	24,103	24,103	23,253	(850)
Rental income	500	500	-	(500)
Other local revenues	21,031	21,031	22,609	1,578
Intergovernmental - state	5,284,649	5,284,649	5,505,344	220,695
Intergovernmental - federal	27,823	27,823	27,465	(358)
Total revenues	11,915,508	11,915,508	12,474,286	558,778
Expenditures:				
Current:				
Instruction:				
Regular	5,156,361	5,150,823	5,046,293	104,530
Special	1,265,566	1,265,448	1,285,402	(19,954)
Vocational	209,742	209,724	192,950	16,774
Other	1,370,936	1,370,814	1,336,375	34,439
Support services:				
Pupil	568,754	570,203	553,149	17,054
Instructional staff	584,645	585,107	553,975	31,132
Board of education	24,121	24,119	22,511	1,608
Administration	1,096,037	1,094,335	1,100,635	(6,300)
Fiscal	413,304	413,269	387,125	26,144
Business	12,001	12,000	11,053	947
Operations and maintenance	912,617	912,536	881,027	31,509
Pupil transportation	762,796	766,729	733,911	32,818
Central	8,851	8,850	11,315	(2,465)
Operation of non-instructional services	24,230	24,229	12,736	11,493
Extracurricular activities	335,049	335,021	306,154	28,867
Facilities acquisition and construction	11,660	61,593	8,811	52,782
Debt service:				
Principal	70,006	70,000	70,000	-
Interest and fiscal charges	42,552	42,548	42,548	-
Total expenditures	12,869,228	12,917,348	12,555,970	361,378
Excess (deficiency) of revenues over (under) expenditures	(953,720)	(1,001,840)	(81,684)	920,156
Other financing sources (uses):				
Refund of prior year's expenditures	32,117	32,117	43,921	11,804
Refund of prior year's receipts	(2,000)	(2,000)	-	2,000
Transfers in	(1)	(1)	12	13
Advances in	671	671	7,685	7,014
Advances (out)	(1,000)	(1,000)	-	1,000
Sale of capital assets	1,705	1,705	6,891	5,186
Total other financing sources (uses)	31,492	31,492	58,509	27,017
Net change in fund balance	(922,228)	(970,348)	(23,175)	947,173
Fund balance at beginning of year	2,195,277	2,195,277	2,195,277	-
Prior year encumbrances appropriated	133,620	133,620	133,620	-
Fund balance at end of year	\$ 1,406,669	\$ 1,358,549	\$ 2,305,722	\$ 947,173

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, 2014**

	Governmental Activities - Internal Service Fund
Assets:	
Equity in pooled cash and cash equivalents	\$ 927,111
Total assets	927,111
Liabilities:	
Claims payable	158,000
Total liabilities	158,000
Net position:	
Unrestricted.	769,111
Total net position.	\$ 769,111

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOUDONVILLE-PERRYVILLE 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, 2014**

	Governmental Activities - Internal Service Fund
Operating revenues:	
Charges for services	\$ 1,622,280
Total operating revenues	1,622,280
Operating expenses:	
Purchased services.	466,976
Claims	1,358,017
Total operating expenses.	1,824,993
Operating loss/change in net position	(202,713)
Net position at beginning of year	971,824
Net position at end of year.	\$ 769,111

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

		Governmental Activities - Internal Service Fund
Cash flows from operating activities:		
Cash received from charges for services.	\$	1,622,280
Cash payments for purchased services		(466,976)
Cash payments for claims expenses		(1,355,017)
		(199,713)
Net cash used in operating activities		(199,713)
Net decrease in cash and cash equivalents		(199,713)
Cash and cash equivalents at beginning of year . . .		1,126,824
Cash and cash equivalents at end of year	\$	927,111
		927,111
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss.	\$	(202,713)
Changes in assets and liabilities:		
Increase in claims payable		3,000
		3,000
Net cash used in operating activities.	\$	(199,713)
		(199,713)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2014**

	Agency
Assets:	
Equity in pooled cash and cash equivalents	\$ 18,704
Total assets.	\$ 18,704
Liabilities:	
Accounts payable.	\$ 1,823
Intergovernmental payable	3
Due to students.	16,878
Total liabilities	\$ 18,704

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

NOTE 1 - DESCRIPTION OF THE 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 401st largest by enrollment among the 613 public school districts in the State. The District employs 56 non-certified and 92 certified full-time and part-time employees to provide services to 1,199 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-PERRYVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

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

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 the Tri-County Educational Service Center, which serves as fiscal agent, located in Wooster, Ohio. During the year ended June 30, 2014, the District paid \$134,032 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 2014.

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-PERRYVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
ASHLAND COUNTY, OHIO**

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

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.

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

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 fund net position. The statement of changes in fund 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.

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

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

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.

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 Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Income taxes and grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows on the governmental fund financial statements.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred inflows of resources.

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.

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.

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

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

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 2014, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and 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 does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2014. Certificates of deposit are reported at cost and U.S. Government money market mutual funds are reported at fair market value.

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 2014 amounted to \$11,372, which includes \$3,875 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.

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.

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

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

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.

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.

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

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

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.

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.

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

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

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.

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. 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 2014.

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2014, the District has implemented GASB Statement No. 70, “Accounting and Financial Reporting for Nonexchange Financial Guarantees”.

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2014 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 13,758
IDEA Part-B	1,137
Title I	117

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

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;

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

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.

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Deposits with Financial Institutions

At June 30, 2014, the carrying amount of all District deposits was \$1,729,198. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$684,710 of the District's bank balance of \$1,908,442 was exposed to custodial risk as discussed below, while \$1,223,732 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, 2014, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>		
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>
STAR Ohio	\$ 350,456	\$ 350,456	\$ -	\$ -
Negotiable certificates of deposit	1,085,626	99,998	495,373	490,255
U.S. Government money market mutual fund	430,507	430,507	-	-
Total	\$ 1,866,589	\$ 880,961	\$ 495,373	\$ 490,255

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 credit 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.

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2014:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$ 350,456	18.78
Negotiable certificates of deposit	1,085,626	58.16
U.S. Government money market mutual fund	<u>430,507</u>	<u>23.06</u>
Total	<u>\$ 1,866,589</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, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,729,198
Investments	<u>1,866,589</u>
Total	<u>\$ 3,595,787</u>
<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 3,577,083
Agency fund	<u>18,704</u>
Total	<u>\$ 3,595,787</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2014, 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>\$ 12</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The \$12 transfer from the nonmajor governmental fund to the general fund was to close-out a fund.

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

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, 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 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, 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 advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$1,193,036 in the general fund. This amount is recorded as revenue. The amount available for advance at June 30, 2013 was \$1,047,970 in the general fund and \$19,495 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, 2014 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.

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

NOTE 6 - PROPERTY TAXES - (Continued)

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

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 144,106,410	87.34	\$ 147,046,330	87.50
Public utility personal	<u>20,884,010</u>	<u>12.66</u>	<u>21,001,220</u>	<u>12.50</u>
Total	<u>\$ 164,990,420</u>	<u>100.00</u>	<u>\$ 168,047,550</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$40.42		\$39.21	

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 2014, \$1,647,839 of income tax revenue was credited to the general fund.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2014 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	\$ 4,911,910
Income	582,806
Accounts	37
Intergovernmental	364,814
Accrued interest	<u>1,376</u>
Total	<u>\$ 5,860,943</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-PERRYVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 9 - CAPITAL ASSETS

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

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
Governmental activities:				
<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	7,197,242	35,433	-	7,232,675
Furniture and equipment	2,024,990	76,268	(45,272)	2,055,986
Vehicles	<u>1,387,155</u>	<u>-</u>	<u>-</u>	<u>1,387,155</u>
Total capital assets, being depreciated	<u>10,609,387</u>	<u>111,701</u>	<u>(45,272)</u>	<u>10,675,816</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(4,530,965)	(184,312)	-	(4,715,277)
Furniture and equipment	(1,394,273)	(96,900)	41,756	(1,449,417)
Vehicles	<u>(1,105,851)</u>	<u>(60,718)</u>	<u>-</u>	<u>(1,166,569)</u>
Total accumulated depreciation	<u>(7,031,089)</u>	<u>(341,930)</u>	<u>41,756</u>	<u>(7,331,263)</u>
Governmental activities capital assets, net	<u>\$ 3,656,770</u>	<u>\$ (230,229)</u>	<u>\$ (3,516)</u>	<u>\$ 3,423,025</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 162,216
Vocational	1,114
<u>Support services:</u>	
Pupil	102
Fiscal	124
Instructional staff	472
Administration	1,784
Operations and maintenance	41,907
Pupil transportation	64,255
Extracurricular activities	67,636
Food service operations	<u>2,320</u>
Total depreciation expense	<u>\$ 341,930</u>

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ASHLAND COUNTY, OHIO**

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

NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE

In the current year and 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 \$67,145, 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, 2014 was \$11,705, leaving a current book value of \$55,440. A corresponding liability was recorded in the statement of net position. Principal payments in the 2014 fiscal year totaled \$15,989.

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, 2014:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 30,145
2016	29,216
2017	18,088
2018	6,791
2019	<u>6,791</u>
Total	91,031
Less: amount representing interest	<u>(8,847)</u>
Present value of minimum lease payments	<u>\$ 82,184</u>

NOTE 11 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2014, the following changes occurred in governmental activities long-term obligations:

	<u>Balance Outstanding June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Outstanding June 30, 2014</u>	<u>Amounts Due in One Year</u>
Capital lease obligation	\$ 31,028	\$ 67,145	\$ (15,989)	\$ 82,184	\$ 25,804
OASBO pool loan	935,060	-	(70,000)	865,060	72,000
Compensated absences	<u>1,350,378</u>	<u>104,625</u>	<u>(150,482)</u>	<u>1,304,521</u>	<u>121,493</u>
Total governmental activities	<u>\$ 2,316,466</u>	<u>\$ 171,770</u>	<u>\$ (236,471)</u>	<u>\$ 2,251,765</u>	<u>\$ 219,297</u>

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

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

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, 2014, 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
2015	\$ 72,000	\$ 39,246	\$ 111,246
2016	76,000	35,805	111,805
2017	79,000	32,201	111,201
2018	82,000	28,458	110,458
2019	86,000	24,552	110,552
2020 - 2024	485,000	58,242	543,242
Total	<u>\$ 880,000</u>	<u>\$ 218,504</u>	<u>\$ 1,098,504</u>

The capital leases will be paid from the general fund. See Note 10 for further information.

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.

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, 2014, are a voted debt margin of \$15,124,280 and an unvoted debt margin of \$168,048.

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

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 \$39,302,794 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 Treasurer has 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. There was a two-month premium holiday during fiscal year 2014. The Boards share of the monthly premium follows:

	<u>Single</u>	<u>Family</u>
Certified Plan	\$ 550.10	\$ 1,263.12
Classified Plan	544.32	1,238.75

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

NOTE 12 - RISK MANAGEMENT - (Continued)

The claims liability of \$158,000 reported in the internal service fund at June 30, 2014 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:

<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>
2014	\$ 155,000	\$ 1,358,017	\$ (1,355,017)	\$ 158,000
2013	177,000	1,354,096	(1,376,096)	155,000

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the District Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 14 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$201,403, \$207,721 and \$212,166, respectively; 79.60 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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

NOTE 13 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "Publications".

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

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

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

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$701,679, \$696,523 and \$736,751, respectively; 82.54 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014 certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

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

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$29,392, \$35,812 and \$41,252, respectively; 79.60 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$11,684, \$11,734 and \$12,529, respectively; 79.60 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org, under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$53,975, \$53,579 and \$56,673, respectively; 82.54 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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);
- (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,

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

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING – (Continued)

(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	\$ (23,175)
Net adjustment for revenue accruals	337,723
Net adjustment for expenditure accruals	(110,727)
Net adjustment for other sources/uses	8,648
Funds budgeted elsewhere	3,316
Adjustment for encumbrances	168,873
GAAP basis	<u>\$ 384,658</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.

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.

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

NOTE 17 - SET-ASIDES - (Continued)

	<u>Capital Improvements</u>
Set-aside balance June 30, 2013	\$ -
Current year set-aside requirement	196,668
Current year qualifying expenditures	(126,120)
Excess qualified expenditures from prior years	-
Current year offsets	<u>(70,548)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2015	<u>\$ -</u>
Set-aside balance June 30, 2014	<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, 2014, the balance of \$1,171,459 was available to be used as offsets in future years.

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	\$ 143,014
Other governmental	<u>31,014</u>
Total	<u>\$ 174,028</u>

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

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

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE <i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution)			
National School Lunch Program	10.555	\$ 41,589	\$ 41,589
Cash Assistance:			
School Breakfast Program	10.553	39,094	39,094
National School Lunch Program	10.555	213,809	213,809
Summer Food Service Program for Children	10.559	568	568
Total Child Nutrition Cluster		<u>295,060</u>	<u>295,060</u>
Total U.S. Department of Agriculture		<u>295,060</u>	<u>295,060</u>
U.S. DEPARTMENT OF EDUCATION <i>Passed Through Ohio Department of Education</i>			
Special Education - Grants to States	84.027	226,046	223,520
Title I Grants to Local Educational Agencies	84.010	484,101	478,300
Total Title I Grants to Local Educational Agencies		<u>56,383</u>	<u>74,845</u>
		<u>540,484</u>	<u>553,145</u>
Improving Teacher Quality State Grants	84.340	47,120	47,103
Rural Education	84.358	300	8,329
ARRA- State Fiscal Stabilization Fund (SFSF) - Race to the Top Incentive Grants, Recovery Act	84.395	69,256	86,830
Total U.S. Department of Education		<u>883,206</u>	<u>918,927</u>
TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES		<u>\$ 1,178,266</u>	<u>\$ 1,213,987</u>

The accompanying notes are an integral part of this schedule.

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

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D – BUREAU OF WORKERS' COMPENSATION REBATE

Ohio's workers' compensation system serves as an insurance program for both employers and employees alike. For those who contribute premiums, the Ohio Bureau of Workers' Compensation (BWC) covers the payment of compensation and medical costs related to industrial accidents and diseases. The BWC invested contributions over a three-year period which generated a greater than anticipated return. In May 2013, the Ohio BWC Board of Directors authorized a \$1 billion rebate for more than 210,000 public and private entities paying into Ohio's workers' compensation system. Each employer's rebate reflected 56% of what they were billed during the last policy period (2011 calendar year for public-taxing districts). Approximately \$113 million of the \$1 billion rebate went to local governments around the state. Using policy year 2011 as the base year for calculation, the District allocated its BWC rebate back to all funds, including Federal funds, providing the source of initial premium payments to BWC. The subsequent expenditure of the rebate attributable to Federal programs is reflected on the District's Federal Awards Receipts and Expenditures Schedule.



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

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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 19, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

December 19, 2014



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for Each 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) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Loudonville-Perrysville Exempted Village School District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each 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 each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State
Columbus, Ohio

December 19, 2014

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

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	CFDA # 84.010 – Title I Grants to Local Educational Agencies CFDA # 84.027 – Special Education – Grants to States
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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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
FEBRUARY 10, 2015**