

**Loudonville-Perrysville  
Exempted Village School  
District**

*Audited Financial Statements*

*June 30, 2004*





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Loudonville-Perrysville Exempted Village School District

We have reviewed the Independent Auditor's Report of the Loudonville-Perrysville Exempted Village School District, Ashland County, prepared by Rea & Associates, Inc. for the audit period July 1, 2003 through June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Loudonville-Perrysville Exempted Village School District is responsible for compliance with these laws and regulations.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

March 17, 2005

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

**JUNE 30, 2004**

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

**JUNE 30, 2004**

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The logo for Rea & Associates, Inc. features a teal-colored graphic on the left side, consisting of a vertical bar and a curved shape. To the right of this graphic, the company name "Rea & Associates, Inc." is written in a large, serif font. Below the company name, the text "ACCOUNTANTS AND BUSINESS CONSULTANTS" is written in a smaller, all-caps, serif font, separated from the name by a thin horizontal line.

# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

February 10, 2005

To the Board of Education  
Loudonville-Perrysville Exempted Village School District  
Loudonville, OH 44842

## **Independent Auditor's Report**

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Loudonville-Perrysville Exempted Village School District (the "School District"), Ashland County, Ohio as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Loudonville-Perrysville Exempted Village School District, Ashland County, Ohio as of June 30, 2004, and the respective changes in financial position and the cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 4, the Loudonville-Perrysville Exempted Village School District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

In accordance with *Government Auditing Standards*, we also have issued our report dated February 10, 2005, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Loudonville-Perrysville Exempted Village School District  
Independent Accountants' Report  
February 10, 2005  
Page 2

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Hea & Associates, Inc.*



## **Loudonville-Perrysville Exempted Village Schools**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
(Unaudited)*

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The discussion and analysis of the Loudonville-Perrysville Exempted Village Schools financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

### ***Financial Highlights***

Key financial highlights for 2004 are as follows:

- General Revenues accounted for \$10,374,397 in revenue or 87% of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$1,505,319 or 13% of total revenues of \$11,879,716.
- Total program expenses were \$12,158,667.
- In total, net assets decreased \$278,951.
- Outstanding debt decreased from \$75,557 to \$48,661 due to the current year payment of principal.

### ***Using this Annual Report***

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

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

#### *Statement of Net Assets and the Statement of Activities*

The *Statement of Net Assets and Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of the Loudonville-Perrysville Exempted Village School District, the general fund is the most significant fund.

A question typically asked about the School District's finances "How did we do financially during fiscal year 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**Loudonville-Perrysville Exempted Village Schools**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
(Unaudited)*

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

In the Statement of Net Assets and the Statement of Activities, all of the School District's activities are classified as governmental. All of the School District's programs and services are reported here, including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities as well as food services, formerly reported as Business-Type Activities.

The government-wide financial statements begin on page 11.

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

*Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been safeguarded for specific activities or objectives. The School District uses fund accounting to ensure compliance with finance-related legal requirements. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant fund. The School District's major governmental fund is the general fund.

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The School District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The governmental fund financial statements begin on page 13.

**Loudonville-Perrysville Exempted Village Schools**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
(Unaudited)*

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**Proprietary Funds** - The School District maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District uses an internal service fund to account for its health insurance benefits. Because this service predominantly benefits governmental functions, it has been included within the governmental activities in the government-wide financial statements.

The proprietary fund financial statements begin on page 18.

**Fiduciary Funds** – The School District's fiduciary funds are for Student Managed Activities. The School District's fiduciary activities are reported in the Statement of Fiduciary Assets and Liabilities. We exclude those activities from the School District's other financial statements because the assets can't be used by the School District to finance operations.

The fiduciary fund financial statements begin on page 21.

**Notes to the 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. The notes to the financial statements begin on page 22.

**Loudonville-Perrysville Exempted Village Schools**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
(Unaudited)*

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**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2004 compared to 2003:

**(Table 1)  
Net Assets**

	<u>Governmental Activities</u>	
	<u>2004</u>	<u>Restated 2003</u>
<b>Assets</b>		
Current and Other Assets	\$ 6,377,488	\$ 6,320,448
Capital Assets	<u>3,303,281</u>	<u>3,371,092</u>
Total Assets	<u>9,680,769</u>	<u>9,691,540</u>
<b>Liabilities</b>		
Long-Term Liabilities	1,072,373	1,014,389
Other Liabilities	<u>4,695,343</u>	<u>4,485,147</u>
Total Liabilities	<u>5,767,716</u>	<u>5,499,536</u>
<b>Net Assets</b>		
Invested in Capital		
Assets Net of Debt	3,245,160	3,319,225
Restricted	158,190	79,792
Unrestricted	<u>509,703</u>	<u>792,987</u>
Total Net Assets	<u>\$ 3,913,053</u>	<u>\$ 4,192,004</u>

Total assets decreased by \$10,771. This decrease is due to the net effect of the decrease in cash, taxes receivable, and capital assets, versus the increase in intergovernmental receivables. Total liabilities increased by \$268,180 with governmental liabilities comprising that entire amount. The majority of this is due to an increase of deferred revenue, intergovernmental payables, and long-term liabilities.

**Loudonville-Perrysville Exempted Village Schools**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
(Unaudited)*

Table 2 shows the changes in net assets for fiscal year 2004. Since this is the first year the School District has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2003 are not available. This table will present two fiscal years in side-by-side comparisons in successive reporting years. This will enable the reader to draw further conclusion about the School District's financial status and possibly project future problems.

**(Table 2)**  
**Governmental Activities**

	<u>Governmental Activities 2004</u>
<b>Revenues</b>	
<i>Program Revenues:</i>	
Charges for Services	\$ 676,650
Operating Grants	828,669
<i>General Revenue:</i>	
Property Taxes	3,785,107
Income Taxes	1,266,714
Grants and Entitlements	5,270,779
Other	<u>51,797</u>
<i>Total Revenues</i>	11,879,716
<b>Program Expenses</b>	
Instruction	7,063,741
Support Services	4,129,240
Operation of Non-Instructional Services	526,347
Extracurricular Activities	433,051
Interest and Fiscal Charges	<u>6,288</u>
<i>Total Expenses</i>	<u>12,158,667</u>
Decrease in Net Assets	<u>\$ (278,951)</u>

**Governmental Activities**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. General revenues, including tax revenue, investment earnings, and unrestricted state entitlements, support the net cost of program services. Comparisons to 2003 have not been made since they are not available.

**Loudonville-Perrysville Exempted Village Schools**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
(Unaudited)*

**(Table 3)  
Governmental Activities**

	2004	
	Total Cost of Service	Net Cost of Service
Instruction	\$ 7,063,741	\$ 6,229,423
Support Services:		
Pupils and Instructional Staff	994,344	978,673
Board of Education, Administration, and Fiscal	1,381,394	1,288,570
Operation and Maintenance of Plant	962,704	956,205
Pupil Transportation	730,175	730,175
Central	60,623	43,623
Operation of Non-Instructional Extracurricular Activities	526,347	93,791
Interest and Fiscal Charges	433,051	326,600
	6,288	6,288
Total Expenses	<u>\$ 12,158,667</u>	<u>\$ 10,653,348</u>

Instruction and student support services comprise 66% of governmental program expenses. Pupil transportation and the operation and maintenance of plant accounts for 14% of governmental program expenses.

The dependence upon tax revenues for governmental activities is apparent. The community, as a whole, is a significant support for Loudonville-Perrysville Exempted Village School District (49% of total general revenues). Nonspecific state support, however, is the primary support of the School District at 51% of total general revenues.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2004, the School District did not modify its overall general fund budget. However, the School District did make changes to how the monies were appropriated to the line items. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

**Loudonville-Perrysville Exempted Village Schools**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*(Unaudited)*

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***Capital Assets and Debt Administration***

**Capital Assets**

At the end of fiscal year 2004, the School District had \$3,303,281 invested in land, buildings, equipment and vehicles. Table 4 shows fiscal year 2004 balances compared with 2003.

**(Table 4)**  
**Capital Assets at June 30**  
**(Net of Depreciation)**

	Governmental Activities	
	2004	Restated 2003
Land	\$ 78,472	\$ 78,472
Buildings and Improvements	1,758,689	1,845,657
Furniture and Equipment	851,342	857,022
Vehicles	614,778	589,941
Totals	\$ 3,303,281	\$ 3,371,092

The \$67,811 decrease in capital assets was attributable to depreciation expense exceeding additional purchases.

Ohio law requires school districts to set aside 3% of certain revenues for capital improvements and an additional 3% for textbooks. For fiscal year 2004, this amounted to \$185,326 for each set aside. The School District has qualifying disbursements or offsets exceeding these requirements for capital improvements and textbooks.

**Loudonville-Perrysville Exempted Village Schools**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
(Unaudited)*

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**Debt**

At June 30, 2004, the School District had \$48,661 in notes payable with \$26,896 due within one year. During fiscal year 2004, \$26,896 of principal was repaid. Table 5 summarizes notes outstanding.

**(Table 5)  
Outstanding Debt, at June 30**

	Governmental Activities 2004	Governmental Activities 2003
Asbestos Removal Notes	\$ 48,661	\$ 75,557

**Current Issues**

The Loudonville-Perrysville Exempted Village School District continues to receive strong support from the residents of the School District. As the preceding information shows, the School District relies heavily on its local property taxpayers.

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

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

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



**Loudonville-Perrysville Exempted Village School District**

*Statement of Net Assets*

*June 30, 2004*

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	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 935,402
Investments	253,307
Inventory Held for Resale	16,327
Prepaid Items	869
Receivables:	
Taxes	4,556,686
Accounts	660
Intergovernmental	614,237
Non-Depreciable Capital Assets	78,472
Depreciable Capital Assets, net	3,224,809
	<hr/>
<i>Total Assets</i>	9,680,769
	<hr/>
<b>Liabilities:</b>	
Accounts Payable	42,604
Accrued Wages and Benefits	1,062,316
Intergovernmental Payable	332,649
Deferred Revenue	3,084,137
Claims Payable	131,161
Matured Compensated Absences Payable	42,476
Long-Term Liabilities:	
Due Within One Year	146,093
Due in More Than One Year	926,280
	<hr/>
<i>Total Liabilities</i>	5,767,716
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<b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	3,245,160
Restricted for Capital Outlay	89,906
Restricted for Other Purposes	68,284
Unrestricted	509,703
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<i>Total Net Assets</i>	\$ 3,913,053
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The accompanying notes are an integral part of the basic financial statements.

**Loudonville-Perrysville Exempted Village School District**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2004*

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u> <u>Services and</u> <u>Sales</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Revenue and</u> <u>Changes in Net</u> <u>Assets</u>
				<u>Governmental</u> <u>Activities</u>
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$ 5,084,295	\$ 243,822	\$ 112,578	\$ (4,727,895)
Special	1,252,546	0	477,918	(774,628)
Vocational	378,958	0	0	(378,958)
Other	347,942	0	0	(347,942)
Support Services:				
Pupils	392,265	0	2,475	(389,790)
Instructional Staff	602,079	0	13,196	(588,883)
Board of Education	21,172	0	0	(21,172)
Administration	1,071,668	72,516	13,197	(985,955)
Fiscal	288,554	0	7,111	(281,443)
Operation and Maintenance of Plant	962,704	3,523	2,976	(956,205)
Pupil Transportation	730,175	0	0	(730,175)
Central	60,623	0	17,000	(43,623)
Operation of Non-Instructional Services	526,347	250,338	182,218	(93,791)
Extracurricular Activities	433,051	106,451	0	(326,600)
Interest and Fiscal Charges	6,288	0	0	(6,288)
<i>Total Governmental Activities</i>	<u>\$ 12,158,667</u>	<u>\$ 676,650</u>	<u>\$ 828,669</u>	<u>\$ (10,653,348)</u>
<b>General Revenues:</b>				
Taxes:				
Property Taxes, Levied for General Purposes				3,678,991
Property Taxes, Levied for Capital Outlay				106,116
Income Taxes				1,266,714
Grants and Entitlements not Restricted to Specific Programs				5,270,779
Investment Earnings				16,241
Miscellaneous				35,556
<i>Total General Revenues</i>				<u>10,374,397</u>
<i>Change in Net Assets</i>				(278,951)
<i>Net Assets Beginning of Year - Restated See Note 4</i>				<u>4,192,004</u>
<i>Net Assets End of Year</i>				<u>\$ 3,913,053</u>

The accompanying notes are an integral part of the basic financial statements.

**Loudonville-Perrysville Exempted Village School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2004*

	<u>General</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 273,188	\$ 195,980	\$ 469,168
Investments	253,307	0	253,307
Inventory Held for Resale	0	16,327	16,327
Prepaid Items	776	93	869
Receivables:			
Taxes	4,436,285	120,401	4,556,686
Accounts	0	312	312
Interfund	7,784	0	7,784
Intergovernmental	500,799	113,438	614,237
<i>Total Assets</i>	<u>\$ 5,472,139</u>	<u>\$ 446,551</u>	<u>\$ 5,918,690</u>
<b>Liabilities:</b>			
Accounts Payable	31,932	10,672	42,604
Accrued Wages and Benefits	975,027	87,289	1,062,316
Interfund Payable	0	7,784	7,784
Intergovernmental Payable	164,144	16,098	180,242
Deferred Revenue	3,248,954	100,483	3,349,437
Matured Compensated Absences Payable	42,476	0	42,476
<i>Total Liabilities</i>	<u>4,462,533</u>	<u>222,326</u>	<u>4,684,859</u>
<b>Fund Balances:</b>			
Reserved for Encumbrances	25,859	20,626	46,485
Reserved for Inventory	0	16,327	16,327
Reserved for Prepaid Items	776	93	869
Reserved for Property Taxes	644,003	19,918	663,921
Unreserved, Undesignated, Reported in:			
General Fund	338,968	0	338,968
Special Revenue Funds	0	121,977	121,977
Capital Projects Funds	0	45,284	45,284
<i>Total Fund Balances</i>	<u>1,009,606</u>	<u>224,225</u>	<u>1,233,831</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 5,472,139</u>	<u>\$ 446,551</u>	<u>\$ 5,918,690</u>

The accompanying notes are an integral part of the basic financial statements.

**Loudonville-Perrysville Exempted Village School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets Governmental Activities  
 June 30, 2004*

Total Governmental Fund Balances	\$	1,233,831
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		3,303,281
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes		266,169
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 in the statement of net assets.		334,552
Intergovernmental payables include contractually required pension contributions which are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.		(152,407)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Asbestos Removal Notes Payable	\$	(48,661)
Capital Leases Payable		(58,122)
Compensated Absences		(965,590)
		(1,072,373)
Net Assets of Governmental Activities	\$	3,913,053

The accompanying notes are an integral part of the basic financial statements.

**Loudonville-Perrysville Exempted Village School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
**Governmental Funds**  
For the Fiscal Year Ended June 30, 2004

	General	All Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Taxes	\$ 4,912,676	\$ 105,095	\$ 5,017,771
Intergovernmental	5,261,806	837,642	6,099,448
Interest	16,100	141	16,241
Tuition and Fees	239,522	4,300	243,822
Extracurricular Activities	0	178,967	178,967
Customer Sales and Services	0	253,861	253,861
Miscellaneous	18,950	13,827	32,777
<i>Total Revenues</i>	<u>10,449,054</u>	<u>1,393,833</u>	<u>11,842,887</u>
<b>Expenditures:</b>			
Instruction:			
Regular	4,883,989	154,865	5,038,854
Special	775,111	470,395	1,245,506
Vocational	374,726	0	374,726
Other	347,942	0	347,942
Support Services:			
Pupils	413,717	2,675	416,392
Instructional Staff	572,702	14,661	587,363
Board of Education	21,172	0	21,172
Administration	958,676	83,582	1,042,258
Fiscal	278,083	6,948	285,031
Operation and Maintenance of Plant	862,723	66,947	929,670
Pupil Transportation	746,648	0	746,648
Central	43,595	17,000	60,595
Operation of Non-Instructional Services	124,511	369,592	494,103
Extracurricular Activities	271,231	101,847	373,078
Capital Outlay	1,000	0	1,000
Debt Service:			
Principal	14,758	26,896	41,654
Interest and Fiscal Charges	6,288	0	6,288
<i>Total Expenditures</i>	<u>10,696,872</u>	<u>1,315,408</u>	<u>12,012,280</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(247,818)</u>	<u>78,425</u>	<u>(169,393)</u>
<b>Other Financing Sources and Uses:</b>			
Proceeds from Sale of Fixed Assets	2,829	0	2,829
Refund of Prior Year Expenditures	1,182	1,597	2,779
Inception of Capital Lease	30,944	0	30,944
Transfers In	0	31,134	31,134
Transfers Out	(26,896)	(4,238)	(31,134)
<i>Total Other Financing Sources and Uses</i>	<u>8,059</u>	<u>28,493</u>	<u>36,552</u>
<i>Net Change in Fund Balances</i>	<u>(239,759)</u>	<u>106,918</u>	<u>(132,841)</u>
<i>Fund Balances Beginning of Year- Restated See Note 4</i>	1,249,365	113,307	1,362,672
Increase in Reserve for Inventory	0	4,000	4,000
<i>Fund Balances End of Year</i>	<u>\$ 1,009,606</u>	<u>\$ 224,225</u>	<u>\$ 1,233,831</u>

The accompanying notes are an integral part of the basic financial statements.

**Loudonville-Perrysville Exempted Village School District**  
*Reconciliation of the Changes*  
*in Fund Balances of Governmental Funds to the Statement of Activities*  
*For the Fiscal Year Ended June 30, 2004*

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Net Change in Fund Balances - Total Governmental Funds	\$	(132,841)
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***Amounts reported for governmental activities in the statement of activities are different because:***

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. This is the amount by which depreciation exceeded capital outlay in the current period.

Fixed Asset Additions	\$ 238,433		
Current Year Depreciation	<u>(265,707)</u>		(27,274)

Net effect of transactions involving sale of capital assets are not reflected in the funds		(30,606)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds

Delinquent Property Taxes			34,050
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Repayment of long term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Asbestos Removal Notes Principal	26,896		
Capital Leases Principal	<u>14,758</u>		41,654

Some expenses reported in the statement of net activities do not use the current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	(78,625)		
Pension Obligation	(74,645)		
Change in Inventory	<u>4,000</u>		(149,270)

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. The net revenue (expense) of internal service funds is reported with governmental activities.

16,280

Other financing sources in the governmental funds that increase long-term liabilities in the statement of net assets are not reported as revenues in the statement of activities.

Inception of Capital Lease			<u>(30,944)</u>
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Change in Net Assets of Governmental Activities	\$	<u>(278,951)</u>
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The accompanying notes are an integral part of the basic financial statements.

**Loudonville-Perrysville Exempted Village School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2004*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues:</b>				
Taxes	\$ 4,910,319	\$ 4,883,423	\$ 5,074,921	\$ 191,498
Intergovernmental	4,805,153	4,812,049	4,761,007	(51,042)
Interest	40,000	40,000	16,677	(23,323)
Tuition and Fees	232,000	252,000	239,522	(12,478)
Miscellaneous	8,000	8,000	19,132	11,132
<b>Total Revenues</b>	<u>9,995,472</u>	<u>9,995,472</u>	<u>10,111,259</u>	<u>115,787</u>
<b>Expenditures:</b>				
Instruction:				
Regular	4,767,900	4,828,616	4,822,839	(5,777)
Special	783,132	792,132	790,844	(1,288)
Vocational	402,526	413,027	402,965	(10,062)
Other	323,235	354,235	353,539	(696)
Support Services:				
Pupils	474,494	426,242	425,196	(1,046)
Instructional Staff	586,395	562,629	561,271	(1,358)
Board of Education	21,848	21,848	21,172	(676)
Administration	911,407	964,807	959,997	(4,810)
Fiscal	288,961	284,161	282,369	(1,792)
Operation and Maintenance of Plant	1,305,542	1,117,392	881,024	(236,368)
Pupil Transportation	786,795	861,195	745,653	(115,542)
Central	94,592	44,592	43,681	(911)
Operation of Non-Instructional Services	93,234	110,734	108,808	(1,926)
Extracurricular Activities	207,773	266,223	263,752	(2,471)
Capital Outlay	1,000	1,000	1,000	0
<b>Total Expenditures</b>	<u>11,048,834</u>	<u>11,048,833</u>	<u>10,664,110</u>	<u>(384,723)</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,053,362)</u>	<u>(1,053,361)</u>	<u>(552,851)</u>	<u>500,510</u>
<b>Other Financing Sources and Uses:</b>				
Proceeds from Sale of Fixed Assets	1,100	1,100	2,829	1,729
Refund of Prior Year Expenditures	0	0	1,182	1,182
Advances In	0	0	3,591	3,591
Transfers Out	0	0	(26,896)	(26,896)
Advances Out	0	0	(7,784)	(7,784)
<b>Total Other Financing Sources and Uses</b>	<u>1,100</u>	<u>1,100</u>	<u>(27,078)</u>	<u>(28,178)</u>
Net Change in Fund Balance	(1,052,262)	(1,052,261)	(579,929)	472,332
Fund Balance Beginning of Year	989,970	989,970	989,970	0
Prior Year Encumbrances Appropriated	58,698	58,698	58,698	0
<b>Fund Balance (Deficit) End of Year</b>	<u>\$ (3,594)</u>	<u>\$ (3,593)</u>	<u>\$ 468,739</u>	<u>\$ 472,332</u>

The accompanying notes are an integral part of the basic financial statements.

**Loudonville-Perrysville Exempted Village School District**  
*Statement of Fund Net Assets*  
*Internal Service Fund*  
*June 30, 2004*

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	<u><b>Internal Service</b></u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 466,234
Accounts Receivable	<u>348</u>
<i>Total Assets</i>	<u>466,582</u>
<b>Liabilities:</b>	
Deferred Revenue	869
Claims Payable	<u>131,161</u>
<i>Total Liabilities</i>	<u>132,030</u>
<b>Net Assets:</b>	
Unrestricted	<u>334,552</u>
<i>Total Net Assets</i>	<u><u>\$ 334,552</u></u>

The accompanying notes are an integral part of the basic financial statements.



**Loudonville-Perrysville Exempted Village School District**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Internal Service Fund*  
*For the Fiscal Year Ended June 30, 2004*

	<b>Internal Service</b>
<b>Operating Revenues:</b>	
Charges for Services	\$ 1,444,219
<b>Operating Expenses:</b>	
Purchased Services	318,129
Claims	1,109,810
<i>Total Operating Expenses</i>	1,427,939
<i>Net Change in Net Assets</i>	16,280
<i>Net Assets Beginning of Year</i>	318,272
<i>Net Assets End of Year</i>	\$ 334,552

The accompanying notes are an integral part of the basic financial statements.

**Loudonville-Perrysville Exempted Village School District**  
*Statement of Cash Flows*  
*Internal Service Fund*  
For the Fiscal Year Ended June 30, 2004

	<b>Governmental Activities- Internal Service Fund</b>
<hr/> <hr/>	
<b>Cash Flows From Operating Activities</b>	
Cash Received from Customers	\$ 1,443,467
Cash Paid for Claims	(1,096,983)
Cash Paid for Services	(318,129)
	<hr/>
<i>Net Cash Provided By Operating Activities</i>	28,355
	<hr/>
<i>Net Increase in Cash and Cash Equivalents</i>	28,355
	<hr/>
<i>Cash and Cash Equivalents at Beginning of Year</i>	437,879
	<hr/>
<i>Cash and Cash Equivalents at End of Year</i>	\$ 466,234
	<hr/> <hr/>
<b>Reconciliation of Operating Income to Net Cash Provided By Operating Activities</b>	
Operating Income	\$ 16,280
Adjustments:	
Increase in Accounts Receivable	(348)
Decrease in Deferred Revenue	(404)
Increase in Claims Payable	12,827
	<hr/>
<i>Total Adjustments</i>	12,075
	<hr/>
<i>Net Cash Provided By Operating Activities</i>	\$ 28,355
	<hr/> <hr/>

The accompanying notes are an integral part of the basic financial statements.

**Loudonville-Perrysville Exempted Village School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*June 30, 2004*

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	<u>Student Activities</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 22,830</u>
<b>Liabilities:</b>	
Accounts Payable	1,914
Due to Students	<u>20,916</u>
<i>Total Liabilities</i>	<u>\$ 22,830</u>

The accompanying notes are an integral part of the basic financial statements.

LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004  
(UNAUDITED)

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NOTE 1: NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY

The Loudonville-Perrysville Exempted Village School District (the "School District") was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a school district as defined by Section 3311.04 of the Ohio Revised Code. The School District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the School District. Average daily membership as of October 1, 2003, was 1,305. The School District employs 103 certificated and 62 non-certificated employees.

The School District is involved with Tri-County Computer Service Association (TCCSA) and Ashland County-West Holmes Career Center, which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 18.

The reporting entity is required to be composed of the primary government, component units and other organizations that are included to ensure that the general purpose financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service and student related activities of the School District. The School District has no component units.

Management believes the general purpose financial statements included in the report represent all of the funds of the School District over which the School District has the ability to exercise direct operating control.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applied Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or after November 30, 1989, to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The most significant of the School District's accounting policies are shown below.

A. Basis of Presentation

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

LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004  
(UNAUDITED)

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is also eliminated to avoid “doubling up” revenues and expenses.

The statement of net assets presents the financial condition of the governmental type activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District’s governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limitations. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. 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 is reported as fund balance. The following is the School District’s major governmental fund:

LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004  
(UNAUDITED)

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

Proprietary funds are used to account for the School District's ongoing activities that are similar to those found in the private sector. The following is the School District's Proprietary Fund type:

*Internal Service Fund* - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for a self-insurance program for employee prescription drug benefits, medical, dental, and vision insurance.

Fiduciary Funds

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

C. Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets.

LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004  
(UNAUDITED)

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities 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, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

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. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-Exchange Transactions

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

LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004  
(UNAUDITED)

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 10.) 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 School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange 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, interest, tuition, grants, student fees, and rentals.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of Revenues, Expenditures, and Changes in Fund Net Assets 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. Cash, Cash Equivalents, and Investments

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



LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004  
(UNAUDITED)

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During fiscal year 2004, investments were limited to STAROhio and certificates of deposit. Following Ohio statues, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$16,100, which includes \$7,027 assigned from other District funds.

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

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2004. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2004.

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

F. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities columns of the statement of net assets.

G. Prepays

Payments made to vendors for services that will benefit periods beyond June 30, 2004 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Estimates

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

LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2004  
 (UNAUDITED)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

J. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. 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 assets 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 School District maintains a capitalization threshold of one thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the assets or materially extend an asset's life are not.

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>
Land	N/A
Buildings and Improvements	10 - 40 Years
Furniture and Fixtures	5 - 20 Years
Vehicles	10 Years

K. Accrued Liabilities and Long-Term Obligations

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

LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004  
(UNAUDITED)

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financials statements only to the extent that they are due for payment during the current fiscal year. Bonds, capital leases, and long-term loans are recognized as a liability on the fund financial statements when due.

L. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include amounts required by statute to be set-aside for the purchase of textbooks and other instructional material. See Note 15 for additional information regarding set-asides.

M. Compensated Absences

Compensated absences of the School District consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the School District and the employee.

The School District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for 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 School District's past experience of making termination payments.

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

In governmental funds, the liability for the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. The non current portion of the liability is not reported.

LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balances indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventory, prepaid items, and property taxes. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual 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 2004.

Q. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for the employee self-insurance program. Operating expenses are necessary costs incurred to provide services that are the primary activity of the fund.

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources as certified by the County Auditor.

All funds, except agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level for each fund. Budgetary modifications that change total fund appropriations may only be made by resolution of the Board of Education.

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the Ashland County Budget Commission for rate determination.

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the School District by March 1. As part of the certification, the School District receives the official Certificate of Estimated Resources which states projected revenue of each fund. Prior to June 30, the School District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the Certificate of Estimated Resources is amended to include any unencumbered balances from the preceding year. The Certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2004.

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual Appropriation Resolution must be passed by October 1 of each year for the period July 1 to June 30. The Appropriation Resolution fixes spending authority at the fund level and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified. The total of expenditures and encumbrances may not exceed appropriations at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The amounts reported as the original budgeted amounts in the budgetary statements reflect the appropriation in the first complete appropriated budget, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective funds from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the fund financial statements, encumbrances outstanding at year-end are reported as reservations of fund balance for subsequent year expenditures for governmental funds. A reserve for encumbrances is not reported on the government-wide financial statements.

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NOTE 3: BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balances on the GAAP basis, the budgetary basis, as provided by law, is based upon accounting for transactions on a basis of cash receipts, disbursements, and encumbrances. Accordingly, the Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP) and Actual, is presented for the General Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with state statute. The major differences between the budget basis and GAAP basis are that:

- 1) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- 2) Expenditures are recorded when paid in cash (budget basis) rather than when the liability is incurred (GAAP basis).
- 3) Encumbrances are treated as expenditure/expenses (budget basis) rather than as a reservation of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the general fund.

<u>Net Change in Fund Balance</u>	<u>General Fund</u>
GAAP Basis	\$ (239,759)
Adjustment for encumbrances	(53,453)
Net adjustment for revenue accruals	(368,739)
Net adjustment for expenditure accruals	86,215
Advances in	3,591
Advances out	<u>(7,784)</u>
Budget Basis	<u>\$ (579,929)</u>

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NOTE 4: CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCES / NET ASSETS

***Changes in Accounting Principles*** For fiscal year 2004, the School District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedules - Perspective Differences", and GASB Interpretation No. 6 "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements."

GASB 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the School District's programs between governmental and business-type activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2003, caused by the conversion to the accrual basis of accounting and the reclassification of funds based on the guidance provided in Statement No. 34. Due to these fund reclassifications, there are no business-type activities reported.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

***Restatement of Fund Balance*** It was determined that the enterprise and expendable trust funds, except for the Young Trust, should be reclassified to special revenue funds. Also, the School District changed its capitalization threshold for capital assets from \$500 to \$1,000. Textbook purchases will no longer be capitalized. The June 30, 2003 capital asset balances have been adjusted for these changes and accumulated depreciation as required by GASB Statement No. 34. The restatements for GASB Statement No. 34 had the following effects on the fund balance of the major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.



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NOTE 4: CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCES / NET ASSETS (Continued)

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances, June 30, 2003	\$ 1,249,365	\$ 106,580	\$ 1,355,945
Fund Reclassification	<u>0</u>	<u>6,727</u>	<u>6,727</u>
Adjusted Fund Balances, June 30, 2003	<u>\$ 1,249,365</u>	<u>\$ 113,307</u>	\$ 1,362,672
GASB 34 Adjustments:			
<i>Capital Assets, June 30, 2003</i>		8,542,780	
<i>Change in Value of Capital Assets: Cost</i>		(739,309)	
<i>Accumulated Depreciation</i>		<u>(4,432,379)</u>	
Adjusted Capital Assets, June 30, 2003			3,371,092
Capital Leases			(51,867)
Compensated Absences			(886,965)
Internal Service Fund			318,272
Long Term (Deferred) Assets			232,119
Long Term Liabilities			(75,557)
Pension Obligations			<u>(77,762)</u>
Governmental Activities Net Assets, June 30, 2003			<u>\$ 4,192,004</u>

NOTE 5: DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits identified as not required for use within the current two 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 or depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

Interim deposits are deposits of interim monies. Interim monies are those 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 or interest by the United States;
- 2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- 3) Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- 4) Bonds and any other obligations of the State of Ohio;
- 5) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
- 6) The State Treasurer's Investment Pool (STAROhio).

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

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NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

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

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 School District or, if the securities are not represented by certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

At year-end, the carrying amount of the School District's deposits was \$343,996 and the bank balance was \$420,159. Of the bank balance,

1. \$216,816 was covered by federal depository insurance, and
2. \$203,343 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for deposit of money has been followed, noncompliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments

The School District's investments in STAROhio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Carrying Value	Fair Value
STAROhio	\$ 867,543	\$ 867,543

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

	<u>Cash and Cash</u> <u>Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$ 958,232	\$ 253,307
Investments which are part of cash management pool:		
STAROhio	(867,543)	867,543
Certificate of Deposit	<u>253,307</u>	<u>(253,307)</u>
GASB Statement No. 3	<u>\$ 343,996</u>	<u>\$ 867,543</u>

NOTE 6: CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	<u>Restated</u> <u>Balance</u> <u>07/01/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/04</u>
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 78,472	\$ 0	\$ 0	\$ 78,472
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	5,167,315	7,966	0	5,175,281
Furniture and Equipment	1,707,349	120,567	(68,075)	1,759,841
Vehicles	<u>1,033,815</u>	<u>109,900</u>	<u>(40,730)</u>	<u>1,102,985</u>
Total Capital Assets, being depreciated	7,908,479	238,433	(108,805)	8,038,107
Less Accumulated Depreciation:				
Buildings and Improvements	(3,321,658)	(94,934)	0	(3,416,592)
Furniture and Equipment	(850,327)	(91,752)	33,580	(908,499)
Vehicles	<u>(443,874)</u>	<u>(79,021)</u>	<u>34,688</u>	<u>(488,207)</u>
Total Accumulated Depreciation	<u>(4,615,859)</u>	<u>(265,707)</u>	<u>68,268</u>	<u>(4,813,298)</u>
Total Capital Assets being depreciated, net	<u>3,292,620</u>	<u>(27,274)</u>	<u>(40,537)</u>	<u>3,224,809</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,371,092</u>	<u>\$ (27,274)</u>	<u>\$ (40,537)</u>	<u>\$ 3,303,281</u>

LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

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NOTE 6: CAPITAL ASSETS AND DEPRECIATION (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 104,442
Special	117
Vocational	1,418
Support Services	
Pupil	1,248
Instructional Staff	4,983
Administration	6,265
Fiscal	351
Operation and Maintenance of Plant	19,060
Pupil Transportaion	80,963
Operation of Non-Instructional Services	1,427
Extracurricular Activities	<u>45,433</u>
 Total Depreciation	 <u><u>\$ 265,707</u></u>

NOTE 7: LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during the fiscal year 2004 were as follows:

	Balance <u>July 1, 2003</u>	Additions	Retirements	Balance <u>June 30, 2004</u>	Amount Due in <u>One Year</u>
Asbestos Removal, Environmental Protection Agency, 0.00%, due 7/31/06	\$ 75,557	\$ 0	\$ (26,896)	\$ 48,661	\$ 26,896
Capital Leases	51,867	30,944	(24,689)	58,122	16,630
Compensated Absences	<u>886,965</u>	<u>78,625</u>	<u>0</u>	<u>965,590</u>	<u>102,567</u>
 Total Governmental Activities Long-Term Liabilities	 <u>\$ 1,014,389</u>	 <u>\$ 109,569</u>	 <u>\$ (51,585)</u>	 <u>\$ 1,072,373</u>	 <u>\$ 146,093</u>

Asbestos removal notes are direct obligations of the School District for which its full faith, credit and resources are pledged. Proceeds from the notes were used for the removal of asbestos from the school buildings. These notes will be paid from the general fund.

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NOTE 7: LONG-TERM OBLIGATIONS (Continued)

No new long-term debt was issued in 2004, except for a new capital lease.

Compensated absences will be paid from the general fund, Title VI-B, Title I, Title II-A, and food service special revenue funds.

The School District's overall legal debt margin was \$16,165,329 at June 30, 2004. Principal requirements to retire long-term obligations outstanding at June 30, 2004 are as follows:

<u>Asbestos Removal Notes</u>	
<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>
2005	\$ 26,896
2006	20,588
2007	<u>1,177</u>
Total	<u>\$ 48,661</u>

NOTE 8: CAPITALIZED LEASES

The School District entered into capitalized leases for copiers. The total capitalized cost of the copiers is \$93,647. All of the leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service payments. Capital assets acquired by the leases have been capitalized in the General Fund in the amount equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the General Fund.

The following summarizes future minimum lease payments under the above capital leases, and the present values of net minimum lease payments at June 30, 2004:

2005	\$ 21,469
2006	21,469
2007	14,638
2008	7,352
2009	<u>2,786</u>
Total Minimum Lease Payments	67,714
Less: Amounts Representing Interest	<u>(9,592)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 58,122</u>

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NOTE 9: INCOME TAX

The School District levies a voted tax of .5% for general operations on the income of residents and estates. The tax was effective on January 1, 1992. During the fiscal year 2003, the voted tax increased to 1.25% and is continuing. 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 of Ohio makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue in the amount of \$1,266,714 was credited to the General Fund.

NOTE 10: PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the School District. The Ashland, Holmes, Richland and Knox County Auditors are responsible for assessing and remitting these property taxes to the School District.

Real property taxes are based on assessed value equal to thirty-five percent of appraisal value. The County Auditor reappraises real property every six years with a triennial update, the last update for Ashland County was 2004, Holmes County was 1999, Richland County was 2004, and Knox County was 2004. Real property tax, which becomes a lien on the applicable real property, becomes due annually on December 31. However, real property taxes are billed semi-annually one year in arrears. The tax rate applied to real property collected in 2003 before certain homestead and rollback reductions, which reductions are reimbursed to the School District by the State of Ohio, amounted to \$35.00 per \$1,000 of valuation. The effective rate applied after adjustment for inflationary increases in property values was \$25.20 per \$1,000 of assessed valuation for residential and agricultural real property, and \$25.90 per \$1,000 of assessed valuation for other real property.

Tangible personal property used in business is required to be reported by its owners by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the current year ended December 31, 2003 was \$35.00 per \$1,000 of valuation.

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NOTE 10: PROPERTY TAXES (Continued)

The property valuation consisted of:

	Ashland	Holmes	Richland	Knox
Real property - 2003:				
Residential/Agricultural	\$ 97,556,210	\$ 11,453,310	\$ 3,950,110	\$ 3,764,680
Commercial/Industrial	19,050,090	4,426,070	107,960	85,360
Public Utilities	0	30,800	0	0
Minerals	0	11,700	0	0
Tangible Personal Property - 2004:				
General	13,949,116	922,020	67,310	65,140
Public Utilities	20,678,446	2,095,670	1,356,480	584,970
 Total valuation	 <u>\$ 151,233,862</u>	 <u>\$ 18,939,570</u>	 <u>\$ 5,481,860</u>	 <u>\$ 4,500,150</u>

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable at June 30, 2004. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 is recognized as revenue. The amount available to the School District as an advance at June 30, 2004, was \$663,921. \$644,003 was available to the general fund and \$19,918 was available to the permanent improvement fund reported with Other Governmental Funds.

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

NOTE 11: DEFERRED REVENUE

Deferred revenue at 6/30/04 consisted of the following:

	Statement of Net Assets	Balance Sheet
Property Taxes Receivable	\$ 3,083,268	\$ 3,349,437
Prepaid Insurance Premiums	869	0
	<u>\$ 3,084,137</u>	<u>\$ 3,349,437</u>



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NOTE 12: DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System (SERS)

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple-employer defined benefit pension plan system administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended up to statutory maximum amounts, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003 and 2002 were \$221,916, \$205,356 and \$187,968, respectively. 48% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$116,274, representing the unpaid contribution for fiscal year 2004, is recorded as a liability within the respective funds.

B. State Teachers Retirement System (STRS)

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement and disability benefits, annual cost-of-living adjustments and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 226-4090.

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NOTE 12: DEFINED BENEFIT PENSION PLANS (Continued)

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 member contributions and earned interest matched by STRS funds times an actuarially determined annuity factor. The DC plan allows members to place all their member contributions and employer contributions equal to 10.5% 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 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14%. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2004, 2003 and 2002 were \$712,644, \$664,416 and \$629,928, respectively; 83% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$122,658, representing the unpaid contribution for fiscal year 2004, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2004, all members of the Board of Education have elected social security. The Board's liability is 6.2% of wages paid.

LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004  
(UNAUDITED)

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NOTE 13: POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

Retirees who participated in the DC or Combined Plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14% of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$50,903 for fiscal year 2004.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2004, the balance in the fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten years or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premiums.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91% of covered payroll, a decrease of .92% from fiscal year 2003. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$25,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$152,739.

The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for the maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150% of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2004  
 (UNAUDITED)

NOTE 14: INTERUND ACTIVITY

At June 30, 2004 receivables and payables that resulted from various interfund transactions were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 7,784	\$ 0
Other Governmental Funds:		
Title I	0	6,542
Title II-A	<u>0</u>	<u>1,242</u>
 Total All Funds	 <u>\$ 7,784</u>	 <u>\$ 7,784</u>

NOTE 15: STATUTORY RESERVES

The School District is required by state law to set aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2004, the reserve activity was as follows:

	<u>Textbook Reserve</u>	<u>Capital Acquisition</u>	<u>Totals</u>
Set-aside balance as of June 30, 2003	\$ (77,307)	\$ 0	\$ (77,307)
Current year set-aside requirement	185,326	185,326	370,652
Current year offsets	0	(118,082)	(118,082)
Current year qualifying disbursements	<u>(216,044)</u>	<u>(246,554)</u>	<u>(462,598)</u>
 Total	 <u>\$ (108,025)</u>	 <u>\$ (179,310)</u>	 <u>\$ (287,335)</u>
 Set aside balance carried forward to FY 2005	 <u>\$ (108,025)</u>	 <u>\$ 0</u>	

The School District had qualifying disbursements during the year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirements for future years.

Although the School District had offsets and qualifying disbursements during the year that reduced the capital acquisition set-aside amount below zero, this extra amount may not be used to reduce the set-aside requirements for future years.

LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004  
(UNAUDITED)

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NOTE 16: RELATED ORGANIZATION

The Loudonville Public Library (the "Library") is a related organization to the School 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 School District. The School 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 School 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 School District during fiscal year 2004.

NOTES 17: RISK MANAGEMENT

A. General Insurance

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The School District has a comprehensive property and casualty policy, limit is \$31,852,249 aggregate. The deductible is \$1,000 per incident on property and \$1,000 per incident on equipment. The School District's vehicle insurance policy limit is \$2,000,000 liability/property and \$5,000 medical with a \$250 collision deductible. All board members, administrators, and employees are covered under a school district liability policy. The limits of this coverage are \$2,000,000 per occurrence and \$4,000,000 per aggregate. Settlements have not exceeded coverage in any of the last three years. There has not been a significant reduction in coverage from the prior year.

B. Fidelity Bond

The Board President and Superintendent have a \$35,000 position bond. The Treasurer is covered under a surety bond in the amount of \$20,000. All other school employees who are responsible for handling funds are covered by a \$25,000 fidelity bond.

C. Workers' Compensation

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. The School District is a member of the Ohio School Board Association Group Rating System. This rate is calculated based on accident history and administrative costs. The group presently consists of over 400 school districts.

LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2004  
 (UNAUDITED)

NOTES 17: RISK MANAGEMENT (Continued)

D. Employee Health Insurance

The School District is self insured for its medical and dental insurance programs. 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 \$50,000. Aggregate stop-loss claims are covered based on the aggregate stop-loss factor, times total plan population, times twelve months. The single plan aggregate stop-loss factor is \$247, and the family plan factor is \$630. The liability for unpaid claims cost of \$68,945 reported in the internal service fund at June 30, 2004 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for unpaid claims cost, including estimates of costs relating to incurred but not reported claims, be reported. Interfund premiums are based primarily upon the insured funds' claims experience and are reported as quasi-external transactions.

Changes in the fund's claims liability amount in 2004 and 2003 were:

	<u>Balance at Beginning of Year</u>	<u>Claims</u>	<u>Payments</u>	<u>Balance at End of Year</u>
2004	\$ <u>118,334</u>	\$ <u>1,109,810</u>	\$ <u>1,096,983</u>	\$ <u>131,161</u>
2003	\$ <u>90,272</u>	\$ <u>887,398</u>	\$ <u>859,336</u>	\$ <u>118,334</u>

LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004  
(UNAUDITED)

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NOTE 18: JOINTLY GOVERNED ORGANIZATIONS

A. Tri-County Computer Service Association (TCCSA)

The Tri-County Computer Services 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 equipment to administrative and instructional functions for member districts. Each of the governments of these districts support 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 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 districts are located. Financial information can be obtained by contacting the Treasurer at Ashland-Wayne Education Services Center, which serves as fiscal agent, located in Wooster, Ohio. During the year ended June 30, 2004, the School District paid approximately \$102,960 to TCCSA for basic service charges.

B. Ashland County - West Holmes Career Center (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 State of Ohio. The continued existence of the Career Center is not dependent on the School District's continued participation and no measurable equity interest exists.

LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2004  
(UNAUDITED)

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NOTE 19: CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the School District at June 30, 2004.

B. Litigation

The School District is not party to any claims or lawsuits that would have a material effect on the general purpose financial statements.

NOTE 20: STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed ". . . the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient . . ." The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

NOTE 21: FUND DEFICITS

Fund balances at June 30, 2004 included the following individual fund deficits:

	<u>Deficit</u>
Nonmajor Funds:	
Title VI-B	\$ 3,185
Title IV-A	455

The deficit fund balances resulted from adjustments for accrued liabilities. These deficit balances will be eliminated by anticipated future revenues not recognized or recorded at June 30.



# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

February 10, 2005

To the Board of Education  
Loudonville-Perrysville Exempted Village School District  
Loudonville, OH 44842

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Loudonville-Perrysville Exempted Village School District (the "School District") as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 10, 2005, which included an explanatory paragraph regarding the accounting change to GASB 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the School District in a separate letter dated February 10, 2005.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, federal awarding agencies, pass-through entities, and the Board of Education and is not intended to be and should not be used by anyone other than those specified parties.

# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

February 10, 2005

To the Board of Education  
Loudonville-Perrysville Exempted Village School District  
Loudonville, OH 44842

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

### Compliance

We have audited the compliance of the Loudonville-Perrysville Exempted Village School District (the "School District") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

### Internal Control Over Compliance

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the Board of Education, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*Hea & Associates, Inc.*

LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2004

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Grantor Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	84.010	C1-S1 - 2003 C1-S1 - 2004	\$ 15,718 247,494		\$ 19,966 249,798	
Total Title I Grants to Local Educational Agencies			<u>263,212</u>		<u>269,764</u>	
Special Education - Grants to States	84.027	6B-SF - 2003 6B-SF - 2004	20,248 158,847		16,657 146,598	
Total Special Education - Grants to States			<u>179,095</u>		<u>163,255</u>	
Safe and Drug Free Schools and Communities State Grants	84.186	DR-S1 - 2004	5,622		5,622	
State Grants for Innovative Programs	84.298	C2-S1 - 2003 C2-S1 - 2004	0 6,141		163 6,095	
Total State Grants for Innovative Programs			<u>6,141</u>		<u>6,258</u>	
Education Technology State Grants	84.318	TJ-S1 - 2003 TJ-S1 - 2004	0 8,562		150 7,673	
Total Education Technology State Grants			<u>8,562</u>		<u>7,823</u>	
Assistive Technology Infusion Project Grant	84.352A	AT-S4 - 2002 AT-S4 - 2003	0 0		75 3,371	
Total Assistive Technology Infusion Project Grant			<u>0</u>		<u>3,446</u>	
Improving Teacher Quality State Grants	84.367	TR-S1 - 2003 TR-S1 - 2003	9,464 53,103		12,057 54,344	
Total Improving Teacher Quality State Grants			<u>62,567</u>		<u>66,401</u>	
Total U. S. Department of Education			<u>525,199</u>		<u>522,569</u>	
<b><u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>						
<i>Passed through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program (CAFS)	93.778	N/A	18,121		18,121	
<b><u>U. S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Food Distribution Program	10.550	N/A		\$ 49,204		\$ 49,204
School Breakfast Program	10.553	05-PU - 2003 05-PU - 2004	2,151 10,050		2,151 10,050	
Total School Breakfast Program			<u>12,201</u>		<u>12,201</u>	
National School Lunch Program	10.555	LL-P4 - 2003 LL-P4 - 2004	31,949 82,865		31,949 82,865	
Total National School Lunch Program			<u>114,814</u>		<u>114,814</u>	
Total U.S. Department of Agriculture - Child Nutrition Cluster			<u>127,015</u>	<u>49,204</u>	<u>127,015</u>	<u>49,204</u>
Total Federal Financial Assistance			<u>\$ 670,335</u>	<u>\$ 49,204</u>	<u>\$ 667,705</u>	<u>\$ 49,204</u>

See accompanying notes to the schedule of expenditures of federal awards

LOUDONVILLE-PERRYSVILLE  
EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2004

NOTE A: SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B: NUTRITION CLUSTER

Nonmonetary assistance is reported in the schedule of expenditures of federal awards at the fair market value of the commodities received and disbursed. At June 30, 2004, the District had no significant food commodities inventory. Reimbursement moneys are commingled with local receipts and state grants. It is assumed federal moneys are expended first.

**LOUDONVILLE-PERRYSVILLE  
EXEMPTED VILLAGE SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133, SECTION .505  
JUNE 30, 2004**

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

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under Section .510?	No
(d)(1)(vii)	Major Programs (list):	Title I, CFDA #84.010
(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 RELATING TO THE FINANCIAL STATEMENTS**

**None.**

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

**None.**



**Auditor of State  
Betty Montgomery**

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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  
MARCH 31, 2005**