

**LOUDONVILLE-PERRYSVILLE
EXEMPTED VILLAGE SCHOOL DISTRICT**

**AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002**



**Auditor of State
Betty Montgomery**

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Board of Education
Loudonville-Perrysville Exempted Village School District
210 East Main Street
Loudonville, Ohio 44842

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, 2001 to June 30, 2002. 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.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

January 22, 2003

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

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

October 24, 2002

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

Independent Auditor's Report

We have audited the accompanying general purpose financial statements of Loudonville-Perrysville Exempted Village School District as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Loudonville-Perrysville Exempted Village School District as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 24, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Rea & Associates, Inc.

**LOUDONVILLE-PERRYSVILLE EXEMPTED
VILLAGE SCHOOL DISTRICT**

Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2002

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$ 1,038,564	\$ 101,430	\$ 28,559
Equity in Restricted Cash	11,530	0	0
Investments	500,000	0	0
Receivables:			
Taxes	4,160,576	0	110,507
Accounts	12,278	761	0
Interfund	8,312	0	0
Interest	3,307	0	0
Intergovernmental	0	30,525	0
Prepaid Items	1,161	0	0
Inventory Held for Resale	0	0	0
Fixed Assets (Net)	0	0	0
<u>Other Debits</u>			
Amount to be Provided from General Government Resources	0	0	0
Total Assets and Other Debits	\$ 5,735,728	\$ 132,716	\$ 139,066
<u>Liabilities</u>			
Accounts Payable	\$ 107,987	\$ 803	\$ 0
Accrued Wages and Benefits	910,301	31,051	0
Compensated Absences Payable	65,367	0	0
Interfund Payable	0	0	0
Intergovernmental Payable	151,271	1,842	0
Deferred Revenue	2,950,667	0	91,258
Due to Students	0	0	0
Claims Payable	0	0	0
Capital Lease Payable	0	0	0
Asbestos Removal Loan Payable	0	0	0
Total Liabilities	4,185,593	33,696	91,258
<u>Fund Equity and Other Credits</u>			
Investment in General Fixed Assets	0	0	0
Retained Earnings	0	0	0
Fund Balance:			
Reserved for Encumbrances	159,566	20,531	3,345
Reserved for Taxes Unavailable for Appropriation	622,380	0	19,249
Unreserved, Undesignated	768,189	78,489	25,214
Total Fund Equity and Other Credits	1,550,135	99,020	47,808
Total Liabilities, Fund Equity and Other Credits	\$ 5,735,728	\$ 132,716	\$ 139,066

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

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$ 127	\$ 250,918	\$ 34,634	\$ 0	\$ 0	\$ 1,454,232
0	0	0	0	0	11,530
0	0	0	0	0	500,000
0	0	0	0	0	4,271,083
55	0	0	0	0	13,094
0	0	0	0	0	8,312
0	0	0	0	0	3,307
13,567	0	0	0	0	44,092
76	0	0	0	0	1,237
14,382	0	0	0	0	14,382
15,010	0	0	8,203,500	0	8,218,510
0	0	0	0	1,209,799	1,209,799
<u>\$ 43,217</u>	<u>\$ 250,918</u>	<u>\$ 34,634</u>	<u>\$ 8,203,500</u>	<u>\$ 1,209,799</u>	<u>\$ 15,749,578</u>
\$ 0	\$ 0	1,063	\$ 0	\$ 0	\$ 109,853
34,642	0	0	0	0	975,994
16,837	0	0	0	987,767	1,069,971
8,312	0	0	0	0	8,312
8,734	0	0	0	74,997	236,844
9,222	1,237	0	0	0	3,052,384
0	0	20,491	0	0	20,491
0	90,272	0	0	0	90,272
0	0	0	0	44,583	44,583
0	0	0	0	102,452	102,452
<u>77,747</u>	<u>91,509</u>	<u>21,554</u>	<u>0</u>	<u>1,209,799</u>	<u>5,711,156</u>
0	0	0	8,203,500	0	8,203,500
(34,530)	159,409	0	0	0	124,879
0	0	0	0	0	183,442
0	0	0	0	0	641,629
0	0	13,080	0	0	884,972
<u>(34,530)</u>	<u>159,409</u>	<u>13,080</u>	<u>8,203,500</u>	<u>0</u>	<u>10,038,422</u>
<u>\$ 43,217</u>	<u>\$ 250,918</u>	<u>\$ 34,634</u>	<u>\$ 8,203,500</u>	<u>\$ 1,209,799</u>	<u>\$ 15,749,578</u>

**LOUDONVILLE-PERRYSVILLE EXEMPTED
VILLAGE SCHOOL DISTRICT**

*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances*
All Governmental Fund Types and Expendable Trust Fund

For the Year Ended June 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Revenues</u>				
Taxes	\$ 5,096,438	\$ 0	\$ 0	\$ 112,756
Intergovernmental	4,586,708	295,159	0	30,615
Investment Income	53,476	30,525	0	0
Tuition and Fees	61,108	0	0	0
Extracurricular Activities	0	239,886	0	0
Miscellaneous	24,790	2,406	0	0
Total Revenues	9,822,520	567,976	0	143,371
<u>Expenditures</u>				
Current				
Instruction:				
Regular	4,543,025	71,934	0	37
Special	656,285	152,191	0	0
Vocational	383,345	0	0	1,021
Other	117,581	0	0	0
Support Services:				
Pupils	363,182	5,784	0	0
Instructional Staff	370,784	62,886	0	0
Board of Education	26,810	0	0	0
Administration	855,665	75,759	0	17
Fiscal	261,188	1,941	0	2,463
Operation and Maintenance of Plant	845,056	1,084	0	112,304
Pupil Transportation	724,087	1,883	0	0
Central	37,089	17,082	0	25,500
Extracurricular Activities	213,060	159,723	0	0
Capital Outlay	37,768	0	0	0
Debt Service:				
Principal Retirement	59,154	0	26,896	0
Interest and Fiscal Charges	7,359	0	0	0
Total Expenditures	9,501,438	550,267	26,896	141,342
Excess of Revenues Over (Under) Expenditures	321,082	17,709	(26,896)	2,029
<u>Other Financing Sources (Uses)</u>				
Proceeds From Sale of Fixed Assets	1,123	0	0	0
Proceeds From Capital Lease	35,628	0	0	0
Operating Transfers In	56	0	26,896	0
Operating Transfers Out	(26,896)	0	0	(56)
Total Other Financing Sources (Uses)	9,911	0	26,896	(56)
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	330,993	17,709	0	1,973
Fund Balance at Beginning Of Year	1,219,142	81,311	0	45,835
Fund Balance at End of Year	\$ 1,550,135	\$ 99,020	\$ 0	\$ 47,808

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

<u>Fiduciary Fund Type Expendable Trust</u>	<u>Totals (Memorandum Only)</u>
\$ 0	\$ 5,209,194
0	4,912,482
0	84,001
0	61,108
0	239,886
14,834	42,030
<u>14,834</u>	<u>10,548,701</u>

20,053	4,635,049
0	808,476
0	384,366
0	117,581
0	368,966
0	433,670
0	26,810
0	931,441
0	265,592
0	958,444
0	725,970
0	79,671
0	372,783
0	37,768
0	86,050
0	7,359
<u>20,053</u>	<u>10,239,996</u>

(5,219) 308,705

0	1,123
0	35,628
0	26,952
0	(26,952)
<u>0</u>	<u>36,751</u>

(5,219) 345,456

<u>18,299</u>	<u>1,364,587</u>
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<u>\$ 13,080</u>	<u>\$ 1,710,043</u>
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**LOUDONVILLE-PERRYSVILLE EXEMPTED
VILLAGE SCHOOL DISTRICT**

*Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual*
**All Governmental Fund Types and Expendable Trust Fund
For the Year Ended June 30, 2002**

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 4,613,019	\$ 4,904,752	\$ 291,733
Intergovernmental	4,051,806	4,586,708	534,902
Investment Income	35,704	55,838	20,134
Tuition and Fees	98,949	61,108	(37,841)
Extracurricular Activities	0	0	0
Miscellaneous	17,245	8,954	(8,291)
Total Revenues	8,816,723	9,617,360	800,637
Expenditures			
Current:			
Instruction:			
Regular	4,604,426	4,545,022	59,404
Special	649,947	639,312	10,635
Vocational	407,147	395,776	11,371
Other	128,500	128,274	226
Support Services:			
Pupils	367,076	362,754	4,322
Instructional Staff	478,453	474,297	4,156
Board of Education	26,740	26,463	277
Administration	778,206	765,181	13,025
Fiscal	264,523	263,482	1,041
Operation and Maintenance of Plant	1,197,696	841,162	356,534
Pupil Transportation	694,308	673,134	21,174
Central	49,230	37,394	11,836
Extracurricular Activities	204,455	202,358	2,097
Capital Outlay	37,777	37,768	9
Debt Service:			
Principal Retirement	59,154	59,154	0
Interest and Fiscal Charges	7,359	7,359	0
Total Expenditures	9,954,997	9,458,890	496,107
Excess of Revenues Over (Under) Expenditures	(1,138,274)	158,470	1,296,744
Other Financing Sources (Uses)			
Proceeds of Capital Leases	35,628	35,628	0
Proceeds from Sale of Assets	72	1,123	1,051
Refund of Prior Year Expenditures	0	15,810	15,810
Advance In	(56)	1,021	1,077
Advance Out	(8,312)	(8,312)	0
Operating Transfers In	56	56	0
Operating Transfers Out	(26,896)	(26,896)	0
Total Other Financing Sources (Uses)	492	18,430	17,938
Excess of Revenues and Other Financing Sources Over (Under)			
Expenditures and Other Financing Uses	(1,137,782)	176,900	1,314,682
Fund Balance at Beginning of Year	935,254	935,254	0
Prior Year Encumbrances Appropriated	202,528	202,528	0
Fund Balance at End of Year	\$ 0	\$ 1,314,682	\$ 1,314,682

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

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
320,766	295,159	(25,607)	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
241,841	239,261	(2,580)	0	0	0
2,000	2,000	0	0	0	0
564,607	536,420	(28,187)	0	0	0
84,051	73,287	10,764	0	0	0
177,610	152,412	25,198	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
5,832	5,784	48	0	0	0
83,520	66,182	17,338	0	0	0
0	0	0	0	0	0
94,982	76,882	18,100	0	0	0
1,940	1,940	0	0	0	0
12,084	1,084	11,000	0	0	0
1,883	1,883	0	0	0	0
19,016	17,082	1,934	0	0	0
197,783	173,793	23,990	0	0	0
0	0	0	0	0	0
0	0	0	26,896	26,896	0
0	0	0	0	0	0
678,701	570,329	108,372	26,896	26,896	0
(114,094)	(33,909)	80,185	(26,896)	(26,896)	0
0	0	0	0	0	0
0	0	0	0	0	0
1,420	2,134	714	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	26,896	26,896	0
0	0	0	0	0	0
1,420	2,134	714	26,896	26,896	0
(112,674)	(31,775)	80,899	0	0	0
90,761	90,761	0	0	0	0
21,913	21,913	0	0	0	0
\$ 0	\$ 80,899	\$ 80,899	\$ 0	\$ 0	\$ 0

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**LOUDONVILLE-PERRYSVILLE EXEMPTED
VILLAGE SCHOOL DISTRICT**

*Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual*
**All Governmental Fund Types and Expendable Trust Fund
For the Year Ended June 30, 2002**

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 105,406	\$ 106,415	\$ 1,009
Intergovernmental	9,277	30,615	21,338
Investment Income	0	0	0
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Miscellaneous	0	0	0
Total Revenues	114,683	137,030	22,347
Expenditures			
Current:			
Instruction:			
Regular	37	37	0
Special	0	0	0
Vocational	1,021	1,021	0
Other	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	30	17	13
Fiscal	2,525	2,463	62
Operation and Maintenance of Plant	118,442	115,703	2,739
Pupil Transportation	0	0	0
Central	25,500	25,500	0
Extracurricular Activities	0	0	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	147,555	144,741	2,814
Excess of Revenues Over (Under) Expenditures	(32,872)	(7,711)	25,161
Other Financing Sources (Uses)			
Proceeds of Capital Leases	0	0	0
Proceeds from Sale of Assets	0	0	0
Refund of Prior Year Expenditures	0	0	0
Advance In	0	0	0
Advance Out	0	(1,021)	(1,021)
Operating Transfers In	0	0	0
Operating Transfers Out	(56)	(56)	0
Total Other Financing Sources (Uses)	(56)	(1,077)	(1,021)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(32,928)	(8,788)	24,140
Fund Balance at Beginning of Year	7,427	7,427	0
Prior Year Encumbrances Appropriated	26,521	26,521	0
Fund Balance at End of Year	\$ 1,020	\$ 25,160	\$ 24,140

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

Expendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 4,718,425	\$ 5,011,167	\$ 292,742
0	0	0	4,381,849	4,912,482	530,633
0	0	0	35,704	55,838	20,134
0	0	0	98,949	61,108	(37,841)
0	0	0	241,841	239,261	(2,580)
13,400	14,834	1,434	32,645	25,788	(6,857)
13,400	14,834	1,434	9,509,413	10,305,644	796,231
31,699	20,053	11,646	4,720,213	4,638,399	81,814
0	0	0	827,557	791,724	35,833
0	0	0	408,168	396,797	11,371
0	0	0	128,500	128,274	226
0	0	0	372,908	368,538	4,370
0	0	0	561,973	540,479	21,494
0	0	0	26,740	26,463	277
0	0	0	873,218	842,080	31,138
0	0	0	268,988	267,885	1,103
0	0	0	1,328,222	957,949	370,273
0	0	0	696,191	675,017	21,174
0	0	0	93,746	79,976	13,770
0	0	0	402,238	376,151	26,087
0	0	0	37,777	37,768	9
0	0	0	86,050	86,050	0
0	0	0	7,359	7,359	0
31,699	20,053	11,646	10,839,848	10,220,909	618,939
(18,299)	(5,219)	13,080	(1,330,435)	84,735	1,415,170
0	0	0	35,628	35,628	0
0	0	0	72	1,123	1,051
0	0	0	1,420	17,944	16,524
0	0	0	(56)	1,021	1,077
0	0	0	(8,312)	(9,333)	(1,021)
0	0	0	26,952	26,952	0
0	0	0	(26,952)	(26,952)	0
0	0	0	28,752	46,383	17,631
(18,299)	(5,219)	13,080	(1,301,683)	131,118	1,432,801
17,149	17,149	0	1,050,591	1,050,591	0
1,150	1,150	0	252,112	252,112	0
\$ 0	\$ 13,080	\$ 13,080	\$ 1,020	\$ 1,433,821	\$ 1,432,801

**LOUDONVILLE-PERRYSVILLE EXEMPTED
VILLAGE SCHOOL DISTRICT**

*Combined Statement of Revenues,
Expenses and Changes in Retained Earnings
All Proprietary Fund Types*

For the Year Ended June 30, 2002

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (Memorandum Only)</u>
<u>Operating Revenues</u>			
Tuition and Fees	\$ 3,550	\$ 0	\$ 3,550
Charges for Services	251,088	1,066,591	1,317,679
Total Operating Revenues	<u>254,638</u>	<u>1,066,591</u>	<u>1,321,229</u>
<u>Operating Expenses</u>			
Salaries	162,617	0	162,617
Fringe Benefits	73,763	0	73,763
Purchased Services	1,661	223,844	225,505
Claims	0	727,472	727,472
Materials and Supplies	158,739	0	158,739
Depreciation	1,668	0	1,668
Total Operating Expenses	<u>398,448</u>	<u>951,316</u>	<u>1,349,764</u>
Operating Income (Loss)	(143,810)	115,275	(28,535)
<u>Non-Operating Revenues</u>			
Operating Grants	103,276	0	103,276
Donated Commodities Revenue	33,667	0	33,667
Investment Income	238	0	238
Other Non-Operating Revenues	54	0	54
Total Non-Operating Revenues	<u>137,235</u>	<u>0</u>	<u>137,235</u>
Net Income (Loss)	(6,575)	115,275	108,700
Retained Earnings (Deficit) at Beginning of Year	<u>(27,955)</u>	<u>44,134</u>	<u>16,179</u>
Retained Earnings (Deficit) at End of Year	<u><u>\$ (34,530)</u></u>	<u><u>\$ 159,409</u></u>	<u><u>\$ 124,879</u></u>

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

**LOUDONVILLE-PERRYSVILLE EXEMPTED
VILLAGE SCHOOL DISTRICT**

Combined Statement of Cash Flows
All Proprietary Fund Types
For the Year Ended June 30, 2002

	Enterprise	Internal Service	Totals (Memorandum Only)
Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows From Operating Activities:			
Cash Received from Customers	\$ 254,638	\$ 1,067,284	\$ 1,321,922
Cash Paid for Goods and Services	(140,966)	(223,844)	(364,810)
Cash Paid to Employees	(228,350)	0	(228,350)
Cash Paid for Claims	0	(731,822)	(731,822)
Net Cash Provided By (Used For) Operating Activities	<u>(114,678)</u>	<u>111,618</u>	<u>(3,060)</u>
Cash Flows From Non-Capital Financing Activities:			
Other Non-Operating Revenues	54	0	54
Advance In	8,312	0	8,312
Grants	103,276	0	103,276
Net Cash Provided By Non-Capital Activities	<u>111,642</u>	<u>0</u>	<u>111,642</u>
Cash Flows From Capital and related Financing Activities:			
Acquisition of Fixed Assets	(14,404)	0	(14,404)
Net Cash Used For Capital and Related Financing Activities	<u>(14,404)</u>	<u>0</u>	<u>(14,404)</u>
Cash Flows From Investing Activities:			
Interest	238	0	238
Net Cash Provided By Investing Activities	<u>238</u>	<u>0</u>	<u>238</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(17,202)	111,618	94,416
Cash and Cash Equivalents at Beginning of Year	17,329	139,300	156,629
Cash and Cash Equivalents at End of Year	<u>\$ 127</u>	<u>\$ 250,918</u>	<u>\$ 251,045</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:			
Operating Income (Loss)	\$ (143,810)	\$ 115,275	\$ (28,535)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:			
Depreciation	1,668	0	1,668
Non-cash Donated Commodities	33,667	0	33,667
(Increase) decrease in assets:			
Inventory	(568)	0	(568)
Accounts Receivable	158	0	158
Intergovernmental Receivable	(13,567)	0	(13,567)
Prepaid Items	(44)	0	(44)
Increase (decrease) in liabilities:			
Accrued Wages and Benefits	11,769	0	11,769
Compensated Absences Payable	(1,800)	0	(1,800)
Intergovernmental Payable	(2,791)	0	(2,791)
Deferred Revenue	640	693	1,333
Claims Payable	0	(4,350)	(4,350)
Total Adjustments	<u>29,132</u>	<u>(3,657)</u>	<u>25,475</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ (114,678)</u>	<u>\$ 111,618</u>	<u>\$ (3,060)</u>

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

LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

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

The Loudonville-Perrysville Exempted Village School District (District) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a school district as defined by Section 3311.04 of the Ohio Revised Code. The District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the District. Average daily membership as of October 1, 2001, was 1,384. The District employs 102 certificated and 62 non-certificated employees.

The 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 20.

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 District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District. The District has no component units.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Measurement Focus, Basis of Accounting, and Basis of Presentation

The accounts of the District are organized and operated on the basis of funds and account groups to report on its financial position and the results of operations. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The District has the following fund types and account groups:

LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Types

Governmental fund types are used to account for the District's general government activities. Governmental fund types and the expendable trust funds use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year end.

Nonexchange transactions, in which the 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 taxes are levied (See Note 11). Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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, 2002, but which are levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Under the modified accrual basis of accounting, receivables that will not be collected within the available period have also been reported as deferred 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. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service funds for payment to be made early in the following year. Compensated absences are reported as a fund liability when payment will require use of current available financial resources. Allocation of costs, such as depreciation and amortization, are not recognized in the governmental funds. Governmental funds include the following fund types:

LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources, other than expendable trusts or major capital projects, that are legally restricted to expenditure for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary or trust funds.

Proprietary Fund Types

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types and the nonexpendable trust fund. Revenues are recognized in the accounting period which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue. Allocations of costs, such as depreciation, are recognized in the proprietary funds. As permitted, the District has elected to apply only applicable Financial Accounting Standards Board Statements and Interpretations issued before November 30, 1989 in its accounting and reporting practices for its proprietary operations unless they contradict/conflict with Governmental Accounting Standards Board pronouncements. Proprietary fund types include the following fund types:

Enterprise Funds - Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs, including depreciation where applicable, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Fund - Internal service funds are used to account for the financing of goods or services provided by one department or agency to governmental units, on a cost-reimbursement basis.

LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Fund Types

Fiduciary fund types account for assets held by the District in a trustee capacity or as an agent on behalf of others. Fiduciary fund types are as follows:

Expendable Trust Funds - Expendable trust funds are accounted for in essentially the same manner as the governmental fund.

Agency Funds – The agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds are used to account for assets the District holds for others in an agency capacity.

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the District, other than those accounted for in proprietary or nonexpendable trust funds.

General Long-term Obligations Account Group - This account group is established to account for all long-term obligations of the District except those accounted for in the proprietary or nonexpendable trust funds.

B. Budgetary Process

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.

Although only governmental and expendable trust funds are presented, all funds, except agency, are 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.

LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Cash, Cash Equivalents, and Investments

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

During fiscal year 2002, investments were limited to STAROhio. Following STAROhio statutes, 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 2002 amounted to \$53,476, which includes \$11,570 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 District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2002. 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, 2002.

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

D. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a BWC reserve and textbook/instruction materials reserve. These reserves are required by State statute. The BWC reserve can be used only for purposes specified by the statute. The textbook/instruction materials reserve can only be used for instructional materials and equipment. During fiscal year 2002, the District set aside the amounts required by State statute. Fund balance reserves have also been established.

LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Receivables

Accounts receivable are reflected at their gross value reduced by the estimated amount that is expected to be uncollectible.

F. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as “due from other funds” or “due to other funds” on the balance sheet. Short-term interfund loans are classified as “interfund receivables” and “interfund payables.” Long-term interfund loans are classified as “advances to/from other funds” and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets. The District does not have any long-term advances at year end.

G. Prepays

Payments made to vendors for services that will benefit periods beyond June 30, 2002 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.

I. Inventory

Inventories of proprietary funds are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

J. Fixed Assets and Depreciation

Fixed assets used in governmental fund types of the District are recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. The District does not possess any infrastructure.

LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Fixed Assets and Depreciation (Continued)

Fixed assets which are used in proprietary fund type activities are capitalized in the respective funds. Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at estimated fair market value when received, based on historical information available. Depreciation is computed using the straight-line method based on the estimated life of assets. Estimated useful lives of the various classes of depreciable assets consist of: equipment - 5 to 10 years. The capitalization threshold is \$500 per individual item.

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities 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 general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

Under Ohio law, a debt service fund may be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles requires the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's 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. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit.

The entire estimated amount of unpaid compensated absences, including sick pay and vacation pay, of proprietary type funds is reflected as a liability in the respective funds. The current portion of unpaid compensated absences for sick leave related to governmental fund type operations is reflected in the respective funds. For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group.

N. Fund Balance Reserves

The 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 and reserves such as textbooks and instructional materials and BWC refunds. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

O. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables when eligibility requirements have been satisfied and revenues when available. Reimbursement type grants are recorded as receivables when the related expenditures are incurred and revenues when available. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they become eligible, are earned, and become measurable.

LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Intergovernmental Revenues (Continued)

The District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
State Property Tax Relief
School Bus Purchase Reimbursement

Non-Reimbursable Grants

Special Revenue Funds

Cooperative Learning
Venture Capital
Ohio Reads
Education Management Information Systems
Public School Preschool
Title I
Title VI
Title VI-B
Title VI-R
Drug-Free Schools
OCIS – Career Development Grant
Professional Development Block Grant
TCCSA – Mini Grant
Tri-County Mini Grants
Safe School Help Line

Capital Projects Funds

School Net Plus
Technology Equity
Power Up

Reimbursable Grants

General Fund

CAFS
E-Rate

Proprietary Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately 42% of the District's operating revenue during the 2002 fiscal year.

LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Total Columns

Total columns on the general purpose financial statements are captioned “Memorandum Only” because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3: BUDGETARY PROCESS

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit a proposed operating budget to the Board of Education. A budget of estimated revenue and expenditures is submitted to the Tuscarawas County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the ensuing July 1 to June 30 fiscal year.

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 District by March 1. As part of the certification, the District receives the official Certificate of Estimated Resources which states projected revenue of each fund. Prior to June 30, the 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. Budget receipts, as shown in the accompanying “Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types and Expendable Trust Fund” do not include July 1, 2001 unencumbered fund balances. However, those fund balances are available for appropriations.

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.

LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 3: BUDGETARY PROCESS (Continued)

Appropriations (Continued)

The allocation of appropriations among functions within a fund may be modified during the year by a resolution of the Board of Education. Several supplemental appropriation resolutions were legally enacted by the Board of Education during the year. The budget figures, as shown in the accompanying "Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types and Expendable Trust Fund" represent the final appropriation amounts including all amendments and modifications.

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 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 generally accepted accounting principles (GAAP) basis, encumbrances outstanding at year-end for governmental funds are reported as reservations of fund balance for subsequent year expenditures.

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 "Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types and Expendable Trust Fund" is presented 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 for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund type (GAAP basis).

LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 3: BUDGETARY PROCESS (Continued)

- 4) Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
- 5) The District repays debt from the debt service fund (budget non-GAAP basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

The adjustments necessary to convert the results of operations for the year from the budget basis to the GAAP basis for the governmental funds follow:

Excess (Deficiency) of Revenues Over Expenditures and Other
Sources (Uses) Reconciliation of Budget Basis to GAAP Basis

	General Fund	Special Revenue Fund	Capital Projects Fund	Expendable Trust Fund
Budgetary Basis	\$ 176,900	\$ (31,775)	\$ (8,788)	\$ (5,219)
Encumbrances	229,740	20,531	3,399	0
Revenue accruals	188,329	29,422	6,341	0
Expenditure accruals	(263,976)	(469)	1,021	0
GAAP Basis	\$ 330,993	\$ 17,709	\$ 1,973	\$ (5,219)

NOTE 4: ACCOUNTABILITY

At June 30, 2002, the Food Service Enterprise Fund had a deficit fund balance of \$(34,656), which was created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances, however, this is done when cash is needed rather than when accruals occur.

NOTE 5: DEPOSITS AND INVESTMENTS

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

LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

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.

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 District, and must be purchased with the expectation that it will be held to maturity.

LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
 JUNE 30, 2002

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institutions as security for repayment, by surely company bonds deposited with the 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 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 District's deposits was \$612,699, which includes \$2,800 cash on hand, and the bank balance was \$757,857. Of the bank balance,

1. \$297,674 was covered by federal depository insurance, and
2. \$460,183 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the District's name and all State statutory requirements for deposit of money has been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

Investments

The 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
State Treasurer's Investment Pool	<u>\$ 1,353,063</u>	<u>\$ 1,353,063</u>

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 GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$ 1,465,762	\$ 500,000
Investments which are part of cash management pool:		
STAROhio	(1,353,063)	1,353,063
Certificate of Deposit	<u>500,000</u>	<u>(500,000)</u>
GASB Statement No. 3	<u>\$ 612,699</u>	<u>\$ 1,353,063</u>

NOTE 6: RECEIVABLES

Receivables at June 30, 2002 consisted of taxes, accounts (customer services and student fees), accrued interest and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

Special Revenue:	
Title I	\$ 19,780
Title II	690
Title VI-B	10,055
Enterprise Fund:	
National School Lunch Program	<u>13,567</u>
Total Intergovernmental Receivables	<u>\$ 44,092</u>

NOTE 7: FIXED ASSETS AND DEPRECIATION

A. General Fixed Assets Account Group

The changes in general fixed assets during the year consisted of:

	(Restated) (See Note 24)			Balance
	Balance July 1, 2001	Additions	Disposals	June 30, 2002
Land	\$ 596,717	\$ 69,679	\$ 0	\$ 666,396
Buildings and improvements	4,136,938	431,911	(820)	4,568,029
Machinery and equipment	1,971,340	196,509	(486,777)	1,681,072
Books - Educational Media	349,720	0	0	349,720
Vehicles	<u>878,141</u>	<u>128,942</u>	<u>(68,800)</u>	<u>938,283</u>
Totals	<u>\$ 7,932,856</u>	<u>\$ 827,041</u>	<u>\$ (556,397)</u>	<u>\$ 8,203,500</u>

LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 7: FIXED ASSETS AND DEPRECIATION (Continued)

B. Proprietary Fund Type Fixed Assets

Proprietary fund type fixed assets and accumulated depreciation at year-end consisted of:

<u>Enterprise</u>	<u>June 30, 2002</u>
Equipment	\$ 196,880
Less: Accumulated Depreciation	<u>(181,870)</u>
Net Fixed Assets	<u>\$ 15,010</u>

NOTE 8: GENERAL LONG-TERM OBLIGATIONS

The changes in the District's general long-term obligations during the fiscal year 2002 were as follows:

	<u>Balance July 1, 2001</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2002</u>
Asbestos Removal, Environmental Protection Agency, 0.00%, due 7/31/06	\$ 129,348	\$ 0	\$ (26,896)	\$ 102,452
Capital Leases	75,276	35,628	(66,321)	44,583
Intergovernmental Payable - SERS	65,544	74,997	(65,544)	74,997
Compensated Absences	<u>915,308</u>	<u>72,459</u>	<u>0</u>	<u>987,767</u>
Total General Long- Term Obligations	<u>\$ 1,185,476</u>	<u>\$ 183,084</u>	<u>\$ (158,761)</u>	<u>\$ 1,209,799</u>

Capital lease reductions of \$66,321 is different than the general fund principal retirement amount of \$59,154. The \$7,167 difference is the balance of a copier lease that was traded in on a new copier lease.

Asbestos removal notes are direct obligations of the 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.

No new long-term debt was issued in 2002.

LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 8: LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire general obligation debt, including notes outstanding at June 30, 2002, are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 26,896	\$ 0	\$ 26,896
2004	26,896	0	26,896
2005	26,896	0	26,896
2006	20,588	0	20,588
2007	<u>1,176</u>	<u>0</u>	<u>1,176</u>
Total	<u>\$ 102,452</u>	<u>\$ 0</u>	<u>\$ 102,452</u>

NOTE 9: CAPITAL LEASES

The District has entered into capitalized leases for copy machines, busses and van. Each lease meets 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 expenditures in the combined financial statements for the governmental funds.

General fixed assets consisting of a copy machine have been capitalized in the general fixed assets account group in the amount of \$35,628. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2002 totaled \$66,321 in the governmental funds.

The following is a schedule of future long-term minimum lease payments required under the capital leases together and the present value of the minimum lease payments as of June 30, 2002:

Fiscal year ending June 30,	2003	\$ 14,857
	2004	14,401
	2005	12,170
	2006	10,217
	2007	<u>3,294</u>
Minimum lease payments		54,939
Less: Amount representing interest		<u>(10,356)</u>
Present value of net minimum lease payments		<u>\$ 44,583</u>

LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 10: INCOME TAX

The 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 2002, 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 District after withholding amounts for administrative fees and estimated refunds. Income tax revenue in the amount of \$1,442,782 was credited to the General Fund.

NOTE 11: PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the District. The Ashland, Holmes, Richland and Knox County Auditors are responsible for assessing and remitting these property taxes to the 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 2002, Holmes County was 1999, Richland County was 2002, and Knox County was 2002. 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 2001 before certain homestead and rollback reductions, which reductions are reimbursed to the District by the State of Ohio, amounted to \$35.60 per \$1,000 of valuation. The effective rate applied after adjustment for inflationary increases in property values was \$25.88 per \$1,000 of assessed valuation for residential and agricultural real property, and \$26.79 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, 2001 was \$35.70 per \$1,000 of valuation.

The property valuation consisted of:

	<u>Ashland</u>	<u>Holmes</u>	<u>Richland</u>	<u>Knox</u>
Real property - 2001:				
Residential/Agricultural	\$ 83,632,730	\$ 10,908,460	\$ 3,153,750	\$ 3,189,090
Commercial/Industrial	16,088,700	4,709,540	113,580	71,370
Public Utilities	0	32,030	0	0
Minerals	0	7,230	0	3,330
Tangible Personal Property				
- 2002:				
General	16,558,600	0	99,650	41,260
Public Utilities	18,780,370	2,021,000	1,023,140	554,140
 Total valuation	 <u>\$ 135,060,400</u>	 <u>\$ 17,678,260</u>	 <u>\$ 4,390,120</u>	 <u>\$ 3,859,190</u>

LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 11: PROPERTY TAXES (Continued)

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable at June 30, 2002. 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 District as an advance at June 30, 2002, was \$641,629.

NOTE 12: DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System (SERS)

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple-employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes general purpose financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9% of their annual covered salary and the 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 District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001 and 2000 were \$187,968, \$176,424 and \$151,752, respectively. 46.990% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. \$99,756, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligation account group.

B. State Teachers Retirement System (STRS)

The 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 benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes general purpose 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.

LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 12: DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 93% of their annual covered salary and the District is required to contribute 14%; 9.5% was the portion used to fund pension obligations. 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 District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001 and 2000 were \$629,928, \$620,376 and \$554,112, respectively; 83% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. \$106,580, representing the unpaid contribution for fiscal year 2002, 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, 2002, all members of the Board of Education have elected social security. The Board's liability is 6.2% of wages paid.

NOTE 13: POSTEMPLOYMENT BENEFITS

The 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.

All STRS benefit recipients and sponsored 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, 2002, the STRS Board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$210,148 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001 (the latest information available), the balance in the fund was \$3.256 billion. For the year ended June 30, 2001 (the latest information available), net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 13: POSTEMPLOYMENT BENEFITS (Continued)

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 premium.

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, 2002, employer contributions to fund health care benefits were 9.8% of covered payroll, an increase from 8.45% for fiscal year 2001. 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 2002, the minimum pay was established at \$12,400. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$154,804.

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, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001 (the latest information available), SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 14: NON-CASH TRANSACTIONS

The District receives food commodities for its food service obligations. The revenue recognized in grant income from the non-cash commodities was \$33,667.

NOTE 15: INTERUND ACTIVITY

At June 30, 2002 receivables and payables that resulted from various interfund transactions were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$ 8,312	\$ 0
Enterprise:		
Food Service	<u>0</u>	<u>8,312</u>
Total All Funds	<u>\$ 8,312</u>	<u>\$ 8,312</u>

LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 16: STATUTORY RESERVES

The 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, 2002, the reserve activity was as follows:

	<u>Textbook Reserve</u>	<u>Capital Acquisition</u>	<u>BWC Reserve</u>	<u>Totals</u>
Set-aside balance as of June 30, 2001	\$ 26,109	\$ 0	\$ 61,863	\$ 87,972
Current year set-aside requirement	167,149	167,149	0	334,298
Current year offsets	0	(106,414)	0	(106,414)
Current year qualifying disbursements	(223,695)	(201,165)	0	(424,860)
Amount returned to General Fund	<u>0</u>	<u>0</u>	<u>(61,863)</u>	<u>(61,863)</u>
 Total	 <u>\$ (30,437)</u>	 <u>\$ (140,430)</u>	 <u>\$ 0</u>	 <u>\$ (170,867)</u>
 Set aside balance carried forward to FY 2003	 <u>\$ (30,437)</u>	 <u>\$ 0</u>	 <u>\$ 0</u>	
 Set aside reserve balance as of June 30, 2002	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>\$ 0</u>	

Effective April 10, 2001, the Ohio legislature passed Am. Sub. Senate Bill 345, that addressed H.B. 412 set-aside requirements. The requirement for establishment of a budget reserve set-aside has been deleted from the law. A district may still establish a reserve, if it so chooses; however, the requirement is no longer mandatory. Monies in the budget reserve set-aside as of April 10, 2002 are classified in two categories: (1) Bureau of Workers' Compensation (BWC) refunds and (2) the balance of the reserve which does not represent BWC refunds. The statute includes specific purposes for which the monies representing BWC refunds can be used. The BWC Refund Reserve was transferred to the General Fund. The monies were used for the purchase of a school bus in the current year.

The 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 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 GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 17: RELATED ORGANIZATION

The Loudonville Public Library (the "Library") is a related organization to the District. The school board members are responsible for appointing all the trustees of the Library; however, the school board cannot influence the Library's operation, nor does the Library represent a potential financial benefit or burden to the District. The District serves in a ministerial capacity as the taxing authority for the Library. Once the Library determines to present a levy to the voters, including the determination of the rate and duration, the District must place the levy on the ballot. The Library may not issue debt and determines its own budget. The Library did not receive any funding from the District during fiscal year 2002.

NOTE 18: SEGMENT INFORMATION

The District maintains enterprise funds to account for the operation of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the District as of and for the fiscal year ended June 30, 2002.

	Food Services	Uniform Supplies	Total Enterprise
Operating revenues	\$ 251,088	\$ 3,550	\$ 254,638
Operating expenses, less depreciation	393,356	3,424	396,780
Depreciation expense	1,668	0	1,668
Operating income (loss)	(143,936)	126	(143,810)
Donated commodities	33,667	0	33,667
Operating grants	103,276	0	103,276
Operating transfers in	0	0	0
Interest income	238	0	238
Non-operating revenue	54	0	54
Net income (loss)	(6,701)	126	(6,575)
Net working capital	(32,829)	126	(32,703)
Total assets	43,091	126	43,217
Total equity	(34,656)	126	(34,530)

LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTES 19: RISK MANAGEMENT

A. General Insurance

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has a comprehensive property and casualty policy limit is \$25,590,792 aggregate. The deductible is \$1,000 per incident on property and \$1,000 per incident on equipment. The District's vehicle insurance policy limit is \$2,000,000 liability/property and \$15,000 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 \$1,000,000 per occurrence and \$3,000,000 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 \$2,500 fidelity bond.

C. Workers' Compensation

The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. The District is a member of the Ohio School 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.

D. Employee Health Insurance

The 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 \$189.13, and the family plan factor is \$482.20. The liability for unpaid claims cost of \$90,272 reported in the internal service fund at June 30, 2002 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.

LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTES 19: RISK MANAGEMENT (Continued)

Changes in the fund's claims liability amount in 2002 and 2001 were:

	Balance at Beginning <u>Year</u>	<u>Claims</u>	<u>Payments</u>	Balance at End of Year
2002	\$ <u>94,622</u>	\$ <u>727,472</u>	\$ <u>731,822</u>	\$ <u>90,272</u>
2001	\$ <u>75,929</u>	\$ <u>730,494</u>	\$ <u>711,801</u>	\$ <u>94,622</u>

NOTE 20: 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, 2002, the District paid approximately \$70,463 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 District's continued participation and no measurable equity interest exists.

LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 21: CONTINGENCIES

A. Grants

The 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 District at June 30, 2002.

B. Litigation

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

NOTE 22: STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that required modification if the plan is to be considered constitutional, including:

- A change in the school district that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

As of the date of these financial statements, the District is unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 23: ACCOUNTING CHANGES

Effective July 1, 2001, the District changed their capitalization threshold policy from group aggregate greater than \$500 to individual item greater than \$500. Because of this change a negative adjustment to General Fixed Asset Account Group balance in the amount of \$(1,113,106) was needed to account for all assets previously capitalized, but now qualifying under the new \$500 individual item policy amount (See Note 24).

NOTE 24: GENERAL FIXED ASSET ACCOUNT GROUP RESTATEMENT

As referred to in Note 23, the District changed their capitalization policy as follows:

July 1, 2001, General Fixed Asset Account Group Balance, as previously reported	\$ 9,045,962
Change in Accounting Capitalization Policy	<u>(1,113,106)</u>
July 1, 2001, General Fixed Asset Account Group Balance, as restated (See Note 7)	<u>\$ 7,932,856</u>

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

October 24, 2002

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

**Report on Compliance and on Internal Control over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

We have audited the general purpose financial statements of Loudonville-Perrysville Exempted Village School District as of and for the year ended June 30, 2002, and have issued our report thereon dated October 24, 2002. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Loudonville-Perrysville Exempted Village School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Loudonville-Perrysville Exempted Village 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 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 in amounts that would be material in relation to the general purpose 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.

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

Rea & Associates, Inc.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

October 24, 2002

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

**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 Loudonville-Perrysville Exempted Village 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, 2002. Loudonville-Perrysville Exempted Village School District's major federal programs are 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 Loudonville-Perrysville Exempted Village School District's management. Our responsibility is to express an opinion on Loudonville-Perrysville Exempted Village School District's compliance based on our audit.

We conducted our audit of compliance with those requirements 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 Circulars 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 Loudonville-Perrysville Exempted Village 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 Loudonville-Perrysville Exempted Village School District's compliance with those requirements.

In our opinion, Loudonville-Perrysville Exempted Village 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, 2002.

Internal Control Over Compliance

The management of Loudonville-Perrysville Exempted Village 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 Loudonville-Perrysville Exempted Village 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 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 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.

Schedule of Expenditures of Federal Awards - Non GAAP Budgetary Basis

We have audited the general purpose financial statements of Loudonville-Perrysville Exempted Village School District as of and for the year ended June 30, 2002, and have issued our report thereon dated October 24, 2002. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements of Loudonville-Perrysville Exempted Village School District. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

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

Rea & Associates, Inc.

**LOUDONVILLE-PERRYVILLE EXEMPTED VILLAGE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements	Non-Cash Disbursements
U.S. Department of Agriculture					
(Passed Through Ohio Department of Education):					
<i>Nutrition Cluster</i>					
Food Distribution	10.550	N/A	\$ 33,666	\$ 0	\$ 33,666
National School Lunch Program	10.555	LLP4 - 2002	85,790	85,790	0
Total Department of Agriculture - Nutrition Cluster			119,456	85,790	33,666
U.S. Department of Education					
(Passed Through Ohio Department of Education):					
Title I	84.010	C1-S1 2001 C1-S1 2002	0 98,241	14,896 91,296	0 0
Total Title I			98,241	106,192	0
Title VI-B	84.027	6B-SF 2001 6B-SF 2002	4,708 89,271	10,394 81,026	0 0
Total Title VI-B			93,979	91,420	0
Chapter 2 (Continuous Improvement)	84.151	C2-S1 2001 C2-S1 2002	1,492 7,095	3,748 5,573	0 0
Total Chapter 2 (Continuous Improvement)			8,587	9,321	0
Drug Free Grant	84.186	DR-S1 2001 DR-S1 2002	0 5,384	448 5,336	0 0
Total Drug Free Grant			5,384	5,784	0
Title II Eisenhower Professional Development	84.281	MS-S1-2001 MS-S1-2002	0 6,152	3,687 56	0 0
			6,152	3,743	0
Class Size Reduction Program	84.340	CR-S1 2001 CR-S1 2002	2,731 23,301	5,113 23,174	0 0
Total Class Size Reduction Program			26,032	28,287	0
Assistive Technology Infusion Project	84.352A	ATS1 - 2002	1,719	1,719	0
Total Department of Education			240,094	246,466	0
U.S. Department of Health and Human Services					
(Passed Through Ohio Department of Mental Retardation and Developmental Disabilities):					
Medical Assistance Program (CAFS)	93.778	FY 2002	6,124	6,124	0
Total Department of Health and Human Services			6,124	6,124	0
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 365,674	\$ 338,380	\$ 33,666

Note A - Significant Accounting Policies

The accompanying Schedule of Federal Awards Expenditures summarizes activity of the District's federal awards programs. The schedule has been prepared on the cash basis of accounting.

Note B - Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Moneys are commingled with State grants. It is assumed federal moneys are expended first. At June 30, 2002, the District had no significant food commodities inventory.

**LOUDONVILLE-PERRYSVILLE
EXEMPTED VILLAGE SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133, SECTION .505
JUNE 30, 2002**

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):	Nutrition Cluster, CFDA #10.550, 10.555
(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.



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LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT

ASHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 6, 2003**