

Loudonville Perrysville Exempted Village School District

Ashland County, Ohio

Single Audit

July 1, 2006 Through June 30, 2007

Fiscal Year Audited Under GAGAS: 2007

**BALESTRA, HARR & SCHERER, CPAs, Inc.**

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Mary Taylor, CPA  
Auditor of State

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 Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2006 through June 30, 2007. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

February 13, 2008

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**Loudonville-Perrysville Exempted Village School District**  
*Ashland County, Ohio*

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# BALESTRA, HARR & SCHERER CPAs, INC.

CERTIFIED PUBLIC ACCOUNTANTS

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Ohio Society of Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

### Members of the Board

Loudonville-Perrysville Exempted Village School District

210 East Main Street

Loudonville, Ohio 44842

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Loudonville-Perrysville Exempted Village School District (the District), Ashland County, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

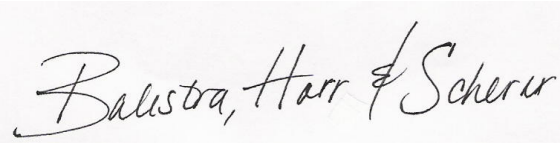
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2007, and the respective changes in financial position and cash flows thereof, where applicable and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2007, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Members of the Board  
Loudonville-Perrysville Exempted Village School District  
Independent Auditor's Report  
Page 2

The Management's Discussion and Analysis on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of federal awards expenditures is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of federal awards expenditures has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A rectangular box containing a handwritten signature in cursive script that reads "Balestra, Harr & Scherer".

Balestra, Harr & Scherer CPAs, Inc.  
December 28, 2007

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

The discussion and analysis of the Loudonville-Perrysville Exempted Village School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2007 are as follows:

- In total, net assets of governmental activities increased \$1,970,496 which represents a 39.21% increase from 2006.
- General revenues accounted for \$12,550,409 in revenue or 84.74% of all revenues. Program specific revenues, in the form of charges for services and sales, grants and contributions accounted for \$2,260,189 or 15.26% of total revenues of \$14,810,598.
- The District had \$12,840,102 in expenses related to governmental activities; only \$2,260,189 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$12,550,409 were adequate to provide for these programs.
- The District's major governmental fund is the general fund. The general fund had \$13,254,477 in revenues and other financing sources and \$11,255,613 in expenditures and other financing uses. During fiscal 2007, the general fund's fund balance increased \$1,998,864 from \$1,760,202 to \$3,759,066.

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

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

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



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**Reporting the District as a Whole**

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

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2007?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

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

***Fund Financial Statements***

The analysis of the District's major governmental fund begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental fund is the general fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

***Proprietary Funds***

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for employee benefits self-insurance. The basic proprietary fund financial statements can be found on pages 20-22 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

The District acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 23. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 24-47 of this report.

**The District as a Whole**

The Statement of Net Assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets for 2007 and 2006.

	<b>Net Assets</b>	
	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 9,710,110	\$ 8,761,513
Capital assets, net	<u>3,118,801</u>	<u>3,150,430</u>
Total assets	<u>12,828,911</u>	<u>11,911,943</u>
<b><u>Liabilities</u></b>		
Current liabilities	4,615,526	5,739,220
Long-term liabilities	<u>1,216,912</u>	<u>1,146,746</u>
Total liabilities	<u>5,832,438</u>	<u>6,885,966</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	3,072,440	3,098,361
Restricted	318,554	281,283
Unrestricted	<u>3,605,479</u>	<u>1,646,333</u>
Total net assets	<u>\$ 6,996,473</u>	<u>\$ 5,025,977</u>

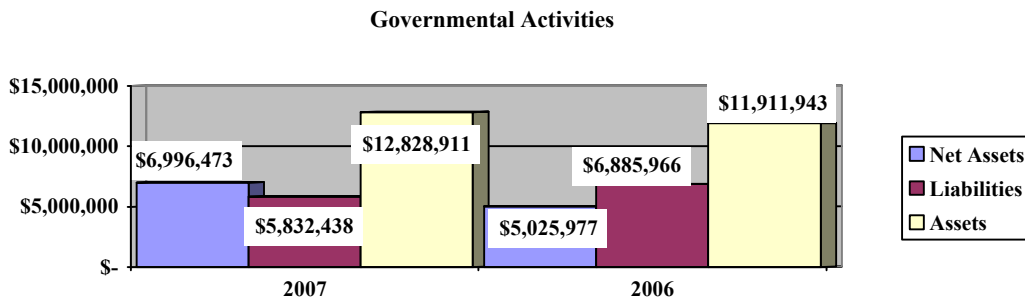
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the District's assets exceeded liabilities by \$6,996,473.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

At year-end, capital assets represented 24.31% of total assets. Capital assets include land, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2007, were \$3,072,440. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$318,554, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$3,605,479 may be used to meet the District's ongoing obligations to the students and creditors.



The table below shows the change in net assets for fiscal year 2007 and 2006.

	<b>Change in Net Assets</b>	
	<u>Governmental Activities 2007</u>	<u>Governmental Activities 2006</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 903,381	\$ 791,914
Operating grants and contributions	1,338,941	1,408,138
Capital grants and contributions	17,867	15,328
General revenues:		
Property taxes	6,002,514	4,250,642
Income taxes	1,576,388	2,124,846
Grants and entitlements	4,763,935	4,670,788
Investment earnings	191,950	109,730
Other	15,622	36,098
<b>Total revenues</b>	<b><u>14,810,598</u></b>	<b><u>13,407,484</u></b>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**Change in Net Assets**

	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 5,372,561	\$ 5,155,739
Special	1,066,896	1,035,382
Vocational	365,599	398,998
Other	746,961	651,722
Support services:		
Pupil	553,747	524,656
Instructional staff	719,172	639,688
Board of education	21,014	24,283
Administration	901,437	887,886
Fiscal	351,485	372,227
Business	9,683	8,860
Operations and maintenance	996,074	1,056,499
Pupil transportation	716,105	774,432
Central	135,724	54,209
Operation of non-instructional services:		
Food service operations	479,407	538,260
Other non-instructional services	7,023	56,842
Extracurricular activities	393,923	411,731
Interest and fiscal charges	<u>3,291</u>	<u>4,172</u>
Total expenses	<u>12,840,102</u>	<u>12,595,586</u>
Change in net assets	1,970,496	811,898
Net assets at beginning of year	<u>5,025,977</u>	<u>4,214,079</u>
Net assets at end of year	<u>\$ 6,996,473</u>	<u>\$ 5,025,977</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$1,970,496. Total governmental expenses of \$12,840,102 were offset by program revenues of \$2,260,189 and general revenues of \$12,550,409. Program revenues supported 17.60% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent 83.34% of total governmental revenue. Real estate property is reappraised every six years.

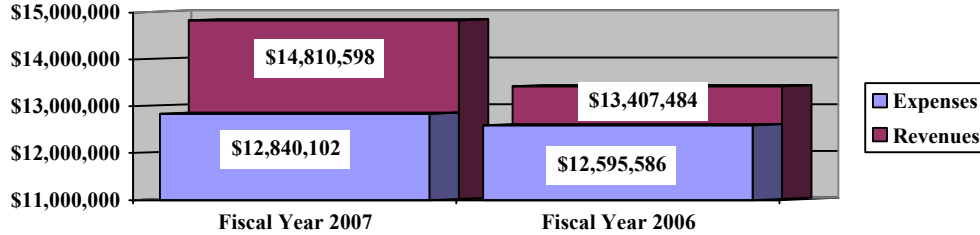
The largest expense of the District is for instructional programs. Instruction expenses totaled \$7,552,017 or 58.82% of total governmental expenses for fiscal 2007.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2007 and 2006.

**Governmental Activities - Revenues and Expenses**



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**Governmental Activities**

	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2007</u>	Total Cost of Services <u>2006</u>	Net Cost of Services <u>2006</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 5,372,561	\$ 4,670,809	\$ 5,155,739	\$ 4,575,280
Special	1,066,896	315,378	1,035,382	244,134
Vocational	365,599	327,057	398,998	326,090
Other	746,961	728,838	651,722	651,722
Support services:				
Pupil	553,747	539,461	524,656	524,656
Instructional staff	719,172	669,216	639,688	618,263
Board of education	21,014	21,014	24,283	24,283
Administration	901,437	840,489	887,886	887,886
Fiscal	351,485	351,485	372,227	372,227
Business	9,683	9,683	8,860	8,860
Operations and maintenance	996,074	980,715	1,056,499	1,047,201
Pupil transportation	716,105	688,160	774,432	765,651
Central	135,724	118,724	54,209	37,209
Food service operations	479,407	17,867	538,260	(14,477)
Operations of non-instructional services	7,023	7,023	56,842	56,064
Extracurricular activities	393,923	290,703	411,731	250,985
Interest and fiscal charges	3,291	3,291	4,172	4,172
<b>Total expenses</b>	<b><u>\$ 12,840,102</u></b>	<b><u>\$ 10,579,913</u></b>	<b><u>\$ 12,595,586</u></b>	<b><u>\$ 10,380,206</u></b>

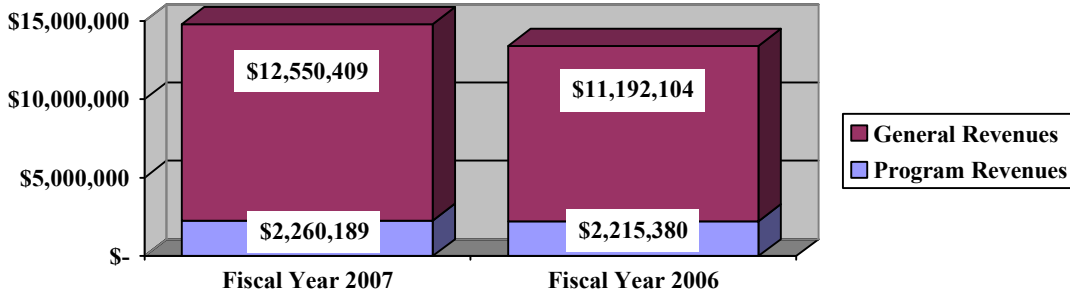
The dependence upon tax and other general revenues for governmental activities is apparent, 80.01% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 82.40%. The District's taxpayers, as a whole, are by far the primary support for District's students.

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

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

The graph below presents the District’s governmental activities revenue for fiscal year 2007 and 2006.

**Governmental Activities - General and Program Revenues**



**The District’s Funds**

The District’s governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$4,045,791, which is higher than last year’s total of \$2,030,208. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2007 and 2006.

	<u>Fund Balance June 30, 2007</u>	<u>Fund Balance June 30, 2006</u>	<u>Increase</u>
General	\$ 3,759,066	\$ 1,760,202	\$ 1,998,864
Other Governmental	<u>286,725</u>	<u>270,006</u>	<u>16,719</u>
Total	<u>\$ 4,045,791</u>	<u>\$ 2,030,208</u>	<u>\$ 2,015,583</u>

**General Fund**

The District’s general fund’s fund balance increased by \$1,998,864. This increase is primarily the result of increased property tax revenues coupled with only a slight increase in expenditures.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

	<u>2007</u> <u>Amount</u>	<u>2006</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 7,477,364	\$ 6,224,231	20.13 %
Tuition	443,429	369,046	20.16 %
Earnings on investments	191,950	109,730	74.93 %
Intergovernmental	5,053,941	4,967,029	1.75 %
Other revenues	<u>66,426</u>	<u>17,756</u>	274.10 %
 Total	 <u>\$ 13,233,110</u>	 <u>\$ 11,687,792</u>	 13.22 %
<b><u>Expenditures</u></b>			
Instruction	6,703,755	6,522,284	2.78 %
Support services	4,225,165	4,174,810	1.21 %
Operation of non-instructional services	7,293	66,171	(88.98) %
Extracurricular activities	265,415	243,613	8.95 %
Facilities acquisition and construction	16,339	-	100.00 %
Capital outlay	17,440	-	100.00 %
Debt service	<u>19,027</u>	<u>28,143</u>	(32.39) %
 Total	 <u>\$ 11,254,434</u>	 <u>\$ 11,035,021</u>	 1.99 %

Tax revenues increased 20.13%. This increase is the result of a larger amount of taxes being collected by the County Auditors and being available as an advance at fiscal year end. These amounts available for advance at year end are recorded as revenue. The amounts that were available for advance in the general fund at June 30, 2007 and 2006 were \$1,717,411 and \$773,831, respectively. Earnings on investments increased 74.93% due to greater interest rates earned on investments. Tuition revenue increased 20.16% mainly due to an increase in open enrollment tuition. Instructional expenditures increased 2.78% which can be attributed to salary changes. Debt service decreased and capital outlay increased due to the District entering in to a new capital lease agreement that traded in part of the old lease. The percentages for operation of non-instructional services and facilities acquisition and construction though high, are immaterial when looking at the dollar amount.

***General Fund Budgeting Highlights***

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

During the course of fiscal 2007, the District did not amend its general fund budget. For the general fund, original and final budgeted revenues and other financing sources were \$11,617,753. Actual revenues and other financing sources for fiscal 2007 was \$12,221,345. This represents a \$603,592 increase over final budgeted revenues.

General fund original and final appropriations (appropriated expenditures and other financing uses) were \$11,656,538. The actual budget basis expenditures and other financing uses for fiscal year 2007 totaled \$11,554,463, which was \$102,075 less than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2007, the District had \$3,118,801 invested in land, buildings and improvements, furniture and equipment, and vehicles. The entire amount is reported in governmental activities. The following table shows fiscal 2007 balances compared to 2006:

<b>Capital Assets at June 30 (Net of Depreciation)</b>		
<u>Governmental Activities</u>		
	<u>2007</u>	<u>2006</u>
Land	\$ 78,472	\$ 78,472
Building and improvements	1,659,904	1,645,171
Furniture and equipment	761,228	791,566
Vehicles	<u>619,197</u>	<u>635,221</u>
Total	<u>\$ 3,118,801</u>	<u>\$ 3,150,430</u>

Total additions to capital assets for 2007 were \$317,264. Disposals to capital assets for 2007 were \$53,249 (net of accumulated depreciation). Depreciation expense for fiscal 2007 was \$295,644. Overall, capital assets of the District decreased \$31,629.

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

***Debt Administration***

At June 30, 2007, the District had \$46,361 in capital lease agreements outstanding. Of this total, \$15,677 is due within one year and \$30,684 is due within greater than one year. The following table summarizes the lease agreements outstanding.

<b>Outstanding Debt, at Year End</b>		
	<u>Governmental Activities 2007</u>	<u>Governmental Activities 2006</u>
Capital lease agreements	<u>\$ 46,361</u>	<u>\$ 50,890</u>
Total	<u><u>\$ 46,361</u></u>	<u><u>\$ 50,890</u></u>

See Note 10 to the basic financial statements for additional information on the District's debt administration.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**Current Financial Related Activities**

The Loudonville-Perrysville Exempted Village School District continues to receive strong support from the residents of the District. As the preceding information shows, the District relies heavily on its local property taxpayers. The residents of the District passed an operating levy in November 2004 and the Board of Education anticipates that proceeds from this levy will sustain the District through fiscal year 2011.

The District has been affected by changes in the personal property tax structure (utility deregulation) and commercial business/property uncertainties. During the summer of 2005, the Ohio legislature approved Ohio House Bill 66, which includes the elimination of the tangible property and public utility property (telephone companies and railroads) – roughly 5% of the District's general fund revenues. While this discontinued revenue will be partially reimbursed by the State of Ohio for five (5) years, this loss of revenue must be anticipated and replaced in the future.

Another treat to our local revenue stream is a petition for reassessment filed by Columbia Gas beginning with tax year 2001. They have requested that their public utility personal property be assessed at 25% of true value rather than the current 88%. The Board of Tax Appeals ruled in favor of Columbia Gas in August 2006. The Ohio Department of Taxation appealed the decision to the Supreme Court and oral arguments were held in May 2007. If the Supreme Court rules in favor of Columbia Gas, the District stands to lose about \$345,000 in annual revenue, and may have to refund approximately \$2 million in tax revenue received for tax years 2001-2006. This potential revenue loss has not been reflected in the five-year forecast.

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

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

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

**Contacting the District's Financial Management**

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

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

STATEMENT OF NET ASSETS  
JUNE 30, 2007

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 3,711,663
Receivables:	
Taxes . . . . .	5,779,027
Accounts . . . . .	3,814
Intergovernmental . . . . .	151,649
Loans . . . . .	847
Prepayments . . . . .	39,297
Materials and supplies inventory . . . . .	3,225
Inventory held for resale . . . . .	20,588
Capital assets:	
Land . . . . .	78,472
Depreciable capital assets, net . . . . .	3,040,329
Capital assets, net. . . . .	3,118,801
 Total assets. . . . .	 12,828,911
<b>Liabilities:</b>	
Accounts payable. . . . .	15,148
Accrued wages and benefits . . . . .	1,027,265
Pension obligation payable. . . . .	260,525
Intergovernmental payable . . . . .	20,172
Unearned revenue. . . . .	3,100,399
Accrued vacation payable . . . . .	43,929
Claims payable . . . . .	148,088
Long-term liabilities:	
Due within one year. . . . .	124,308
Due within more than one year . . . . .	1,092,604
Total liabilities . . . . .	5,832,438
<b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	3,072,440
Restricted for:	
Capital projects . . . . .	180,022
Locally funded programs . . . . .	66,977
State funded programs . . . . .	9,486
Federally funded programs . . . . .	4,516
Student activities . . . . .	36,312
School bus purchases. . . . .	10,241
Other purposes . . . . .	11,000
Unrestricted. . . . .	3,605,479
Total net assets . . . . .	\$ 6,996,473

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Assets</u>
					<u>Governmental Activities</u>
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 5,372,561	\$ 528,029	\$ 173,723	\$ -	\$ (4,670,809)
Special . . . . .	1,066,896	10,238	741,280	-	(315,378)
Vocational . . . . .	365,599	-	38,542	-	(327,057)
Other . . . . .	746,961	-	18,123	-	(728,838)
Support services:					
Pupil . . . . .	553,747	-	14,286	-	(539,461)
Instructional staff . . . . .	719,172	-	49,956	-	(669,216)
Board of education . . . . .	21,014	-	-	-	(21,014)
Administration . . . . .	901,437	3,669	57,279	-	(840,489)
Fiscal . . . . .	351,485	-	-	-	(351,485)
Business . . . . .	9,683	-	-	-	(9,683)
Operations and maintenance . . . . .	996,074	6,649	1,084	7,626	(980,715)
Pupil transportation . . . . .	716,105	2,001	15,703	10,241	(688,160)
Central . . . . .	135,724	-	17,000	-	(118,724)
Operation of non-instructional services:					
Food service operations . . . . .	479,407	249,575	211,965	-	(17,867)
Other non-instructional services . . . . .	7,023	-	-	-	(7,023)
Extracurricular activities . . . . .	393,923	103,220	-	-	(290,703)
Interest and fiscal charges . . . . .	3,291	-	-	-	(3,291)
<b>Totals . . . . .</b>	<b>\$ 12,840,102</b>	<b>\$ 903,381</b>	<b>\$ 1,338,941</b>	<b>\$ 17,867</b>	<b>(10,579,913)</b>

**General Revenues:**

Property taxes levied for:	
General purposes . . . . .	5,867,147
Capital projects . . . . .	135,367
Income taxes levied for:	
General purposes . . . . .	1,576,388
Grants and entitlements not restricted to specific programs . . . . .	4,763,935
Investment earnings . . . . .	191,950
Miscellaneous . . . . .	15,622
<b>Total general revenues . . . . .</b>	<b>12,550,409</b>
Change in net assets . . . . .	1,970,496
<b>Net assets at beginning of year . . . . .</b>	<b>5,025,977</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 6,996,473</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 2,450,012	\$ 305,697	\$ 2,755,709
Receivables:			
Taxes . . . . .	5,666,556	112,471	5,779,027
Accounts . . . . .	1,769	2,045	3,814
Intergovernmental . . . . .	29,795	121,854	151,649
Loans . . . . .	847	-	847
Interfund loans . . . . .	59,703	-	59,703
Prepayments . . . . .	39,297	-	39,297
Materials and supplies inventory . . . . .	-	3,225	3,225
Inventory held for resale . . . . .	-	20,588	20,588
Restricted assets:			
Equity in pooled cash and cash equivalents . . . . .	<u>10,241</u>	<u>-</u>	<u>10,241</u>
Total assets . . . . .	<u>\$ 8,258,220</u>	<u>\$ 565,880</u>	<u>\$ 8,824,100</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 10,849	\$ 4,299	\$ 15,148
Accrued wages and benefits . . . . .	912,716	114,549	1,027,265
Compensated absences payable . . . . .	25,882	-	25,882
Pension obligation payable . . . . .	235,778	24,747	260,525
Intergovernmental payable . . . . .	18,018	2,154	20,172
Interfund loan payable . . . . .	-	59,703	59,703
Deferred revenue . . . . .	263,269	5,946	269,215
Unearned revenue . . . . .	<u>3,032,642</u>	<u>67,757</u>	<u>3,100,399</u>
Total liabilities . . . . .	<u>4,499,154</u>	<u>279,155</u>	<u>4,778,309</u>
<b>Fund Balances:</b>			
Reserved for encumbrances . . . . .	146,131	63,264	209,395
Reserved for prepayments . . . . .	39,297	-	39,297
Reserved for property tax unavailable for appropriation . . . . .	1,717,411	38,768	1,756,179
Reserved for school bus purchases . . . . .	10,241	-	10,241
Unreserved, undesignated, reported in:			
General fund . . . . .	1,845,986	-	1,845,986
Special revenue funds . . . . .	-	57,266	57,266
Capital projects funds . . . . .	<u>-</u>	<u>127,427</u>	<u>127,427</u>
Total fund balances . . . . .	<u>3,759,066</u>	<u>286,725</u>	<u>4,045,791</u>
Total liabilities and fund balances . . . . .	<u>\$ 8,258,220</u>	<u>\$ 565,880</u>	<u>\$ 8,824,100</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2007

<b>Total governmental fund balances</b>		\$ 4,045,791
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		3,118,801
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 269,215	
Total	<u>269,215</u>	269,215
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets.		797,625
Long-term liabilities, including capital lease obligations, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	1,144,669	
Accrued vacation payable	43,929	
Capital lease obligation	<u>46,361</u>	
Total		<u>(1,234,959)</u>
<b>Net assets of governmental activities</b>		<u>\$ 6,996,473</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Property taxes . . . . .	\$ 5,900,976	\$ 133,728	\$ 6,034,704
Income taxes . . . . .	1,576,388	-	1,576,388
Charges for services . . . . .	-	249,575	249,575
Tuition . . . . .	443,429	-	443,429
Extracurricular . . . . .	-	155,796	155,796
Transportation . . . . .	2,001	-	2,001
Earnings on investments . . . . .	191,950	-	191,950
Classroom materials and fees . . . . .	42,154	3,777	45,931
Rent . . . . .	6,649	-	6,649
Contributions and donations . . . . .	-	83,497	83,497
Other local revenues . . . . .	15,622	21,534	37,156
Intergovernmental - state . . . . .	5,053,165	176,182	5,229,347
Intergovernmental - federal . . . . .	776	817,149	817,925
Total revenue . . . . .	<u>13,233,110</u>	<u>1,641,238</u>	<u>14,874,348</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	5,053,993	274,950	5,328,943
Special . . . . .	560,131	518,503	1,078,634
Vocational . . . . .	371,180	-	371,180
Other . . . . .	718,451	28,510	746,961
Support Services:			
Pupil . . . . .	540,361	6,495	546,856
Instructional staff . . . . .	669,057	54,103	723,160
Board of education . . . . .	21,014	-	21,014
Administration . . . . .	859,368	17,791	877,159
Fiscal . . . . .	350,168	-	350,168
Business . . . . .	9,683	-	9,683
Operations and maintenance . . . . .	958,845	-	958,845
Pupil transportation . . . . .	712,574	-	712,574
Central . . . . .	104,095	17,000	121,095
Operation of non-instructional services:			
Food service operations . . . . .	-	483,825	483,825
Other non-instructional services . . . . .	7,293	-	7,293
Extracurricular activities . . . . .	265,415	93,798	359,213
Facilities acquisition and construction . . . . .	16,339	129,544	145,883
Capital outlay . . . . .	17,440	-	17,440
Debt service:			
Principal retirement . . . . .	15,736	1,179	16,915
Interest and fiscal charges . . . . .	3,291	-	3,291
Total expenditures . . . . .	<u>11,254,434</u>	<u>1,625,698</u>	<u>12,880,132</u>
Excess of revenues over expenditures . . . . .	<u>1,978,676</u>	<u>15,540</u>	<u>1,994,216</u>
<b>Other financing sources (uses):</b>			
Transfers in . . . . .	-	1,179	1,179
Transfers (out) . . . . .	(1,179)	-	(1,179)
Capital lease transaction . . . . .	17,440	-	17,440
Sale of capital assets . . . . .	3,927	-	3,927
Total other financing sources (uses) . . . . .	<u>20,188</u>	<u>1,179</u>	<u>21,367</u>
Net change in fund balances . . . . .	1,998,864	16,719	2,015,583
<b>Fund balances at beginning of year . . . . .</b>	<u>1,760,202</u>	<u>270,006</u>	<u>2,030,208</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 3,759,066</u>	<u>\$ 286,725</u>	<u>\$ 4,045,791</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

<b>Net change in fund balances - total governmental funds</b>		\$ 2,015,583
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense.		
Capital asset additions	\$ 317,264	
Current year depreciation	(295,644)	
Total		21,620
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(53,249)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Taxes	(32,190)	
Intergovernmental revenue	(31,560)	
Total		(63,750)
Proceeds of capital lease transactions are recorded as revenue in the funds, however, on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.		
		(17,440)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		16,915
The trade-in of equipment under capital lease obligation does not effect expenditures of the governmental funds; however, the loss on the trade-in is recorded as an expense on the statement of activities.		
		6,233
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Compensated absences	(49,992)	
Accrued vacation payable	(7,009)	
Total		(57,001)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		101,585
<b>Change in net assets of governmental activities</b>		<b>\$ 1,970,496</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 4,706,020	\$ 4,706,020	\$ 4,957,396	\$ 251,376
Income taxes. . . . .	1,442,785	1,442,785	1,510,474	67,689
Tuition. . . . .	401,179	401,179	416,311	15,132
Transportation. . . . .	2,388	2,388	2,001	(387)
Earnings on investments. . . . .	170,979	170,979	191,950	20,971
Classroom materials and fees . . . . .	37,443	37,443	42,154	4,711
Rent . . . . .	955	955	6,649	5,694
Other local revenues. . . . .	13,373	13,373	13,223	(150)
Intergovernmental - state . . . . .	4,817,806	4,817,806	5,053,165	235,359
Intergovernmental - federal. . . . .	955	955	776	(179)
Total revenue . . . . .	<u>11,593,883</u>	<u>11,593,883</u>	<u>12,194,099</u>	<u>600,216</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	5,054,151	5,054,151	5,069,531	(15,380)
Special. . . . .	551,305	551,305	558,534	(7,229)
Vocational. . . . .	379,739	379,739	383,746	(4,007)
Other. . . . .	800,011	800,011	809,117	(9,106)
Support services:				
Pupil. . . . .	540,371	540,371	540,376	(5)
Instructional staff . . . . .	670,030	670,030	660,558	9,472
Board of education . . . . .	22,360	22,360	20,395	1,965
Administration. . . . .	931,334	931,334	889,047	42,287
Fiscal . . . . .	385,926	385,926	368,901	17,025
Business . . . . .	11,000	11,000	9,680	1,320
Operations and maintenance. . . . .	1,001,948	1,001,948	1,009,304	(7,356)
Pupil transportation . . . . .	833,342	833,342	739,989	93,353
Central. . . . .	112,650	112,650	96,265	16,385
Operation of non-instructional services . . . . .	50,499	50,499	49,065	1,434
Extracurricular activities. . . . .	276,415	276,415	270,387	6,028
Facilities acquisition and construction. . . . .	14,278	14,278	17,839	(3,561)
Total expenditures . . . . .	<u>11,635,359</u>	<u>11,635,359</u>	<u>11,492,734</u>	<u>146,186</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>(41,476)</u>	<u>(41,476)</u>	<u>701,365</u>	<u>746,402</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	1,910	1,910	630	(1,280)
Transfers (out) . . . . .	(1,179)	(1,179)	(1,179)	-
Advances in. . . . .	21,673	21,673	22,689	1,016
Advances (out) . . . . .	(20,000)	(20,000)	(60,550)	(40,550)
Sale of capital assets. . . . .	287	287	3,927	3,640
Total other financing sources (uses) . . . . .	<u>2,691</u>	<u>2,691</u>	<u>(34,483)</u>	<u>(37,174)</u>
Net change in fund balance . . . . .	(38,785)	(38,785)	666,882	709,228
<b>Fund balance at beginning of year. . . . .</b>	<b>1,579,502</b>	<b>1,579,502</b>	<b>1,579,502</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>63,210</b>	<b>63,210</b>	<b>63,210</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b><u>\$ 1,603,927</u></b>	<b><u>\$ 1,603,927</u></b>	<b><u>\$ 2,309,594</u></b>	<b><u>\$ 709,228</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

STATEMENT OF FUND NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2007

	<b>Governmental Activities - Internal Service Fund</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 945,713
Total assets . . . . .	945,713
<b>Liabilities:</b>	
Claims payable . . . . .	148,088
Total liabilities . . . . .	148,088
<b>Net assets:</b>	
Unrestricted. . . . .	797,625
Total net assets . . . . .	\$ 797,625

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<b>Governmental Activities - Internal Service Fund</b>
<b>Operating revenues:</b>	
Charges for services . . . . .	\$ 1,766,414
Total operating revenues. . . . .	<u>1,766,414</u>
<b>Operating expenses:</b>	
Purchased services . . . . .	427,899
Other . . . . .	<u>1,236,930</u>
Total operating expenses. . . . .	<u>1,664,829</u>
Operating income/change in net assets . . . . .	101,585
<b>Net assets at beginning of year . . . . .</b>	<u>696,040</u>
<b>Net assets at end of year . . . . .</b>	<u>\$ 797,625</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from charges for services. . . . .	\$ 1,766,414
Cash payments for purchased services. . . . .	(427,899)
Cash payments for other expenses. . . . .	(1,298,842)
	39,673
Net cash provided by operating activities. . . . .	39,673
Net increase in cash and cash equivalents . . . . .	39,673
<b>Cash and cash equivalents at beginning of year . .</b>	<b>906,040</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>\$ 945,713</b>
	945,713
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income . . . . .	\$ 101,585
Changes in assets and liabilities:	
(Decrease) in claims payable . . . . .	(61,912)
	(61,912)
Net cash provided by operating activities . . . . .	\$ 39,673
	39,673

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUND  
JUNE 30, 2007

	<b>Agency</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 19,707
Total assets. . . . .	\$ 19,707
<b>Liabilities:</b>	
Accounts payable. . . . .	\$ 2,044
Loans payable . . . . .	847
Due to students . . . . .	16,816
Total liabilities . . . . .	\$ 19,707

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

The Loudonville-Perrysville Exempted Village School District (the "District") was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School 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 School District.

The District ranks as the 423<sup>rd</sup> largest by enrollment among the 876 public school districts and community schools in the state. The District employs 53 non-certified and 109 certified full-time and part-time employees to provide services to 1,290 students.

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

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

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic 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.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

*JOINTLY GOVERNED ORGANIZATIONS*

Tri-County Computer Service Association

The Tri-County Computer Service Association (TCCSA) is a jointly governed organization comprised of 20 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic technology for administrative and instructional functions for member school districts. Each of the governments of these school districts 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 school district and a representative from the fiscal agent. TCCSA is governed by a board of directors chosen from the general membership of the TCCSA assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating school districts are located. Financial information can be obtained by contacting the treasurer at Ashland-Wayne Education Services Center, which serves as fiscal agent, located in Wooster, Ohio. During the year ended June 30, 2007, the District paid approximately \$120,425 to TCCSA for basic service charges.

Ashland County – West Holmes Career Center

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

*Related Organization*

The Loudonville Public Library

The Loudonville Public Library (the “Library”) is a related organization to the District. The school board members are responsible for appointing all the trustees of the Library; however, the school board cannot influence the Library’s operation, nor does the Library represent a potential financial benefit or burden to the District. The District serves in a ministerial capacity as the taxing authority for the Library. Once the Library determines to present a levy to the voters, including the determination of the rate and duration, the District must place the levy on the ballot. The Library may not issue debt and determines its own budget. The Library did not receive any funding from the District during fiscal year 2007.

**B. Fund Accounting**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

*GOVERNMENTAL FUNDS*

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

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

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds; (b) for grants and other resources whose use is restricted to a particular purpose; and (c) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs.

*PROPRIETARY FUND*

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

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

*FIDUCIARY FUNDS*

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

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

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

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

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

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

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



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

**D. Basis of Accounting**

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

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

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

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

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise 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, 2007, but which were levied to finance fiscal year 2008 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2007 are recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

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

**E. Budgets**

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

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

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

**F. Cash and Investments**

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

During fiscal year 2007, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2007.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

Under existing Ohio statutes, all investment earnings are assigned to the general fund, unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2007 amounted to \$191,950, which includes \$72,578 assigned from other District funds.

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

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

**G. Inventory**

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

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

**H. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column on the Statement of Net Assets.

**J. Compensated Absences**

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

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

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

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

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

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

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

**L. Fund Balance Reserves**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, prepayments, property tax revenue unavailable for appropriation, and school bus purchases. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

**M. Operating Revenues and Expenses**

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

**N. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include monies restricted for underground storage tanks. Of the District's restricted net assets of \$318,554, none are restricted by enabling legislation.

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

**O. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**P. Estimates**

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

**Q. Interfund Activity**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

**R. Restricted Assets**

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the general fund include unspent resources restricted for the purchase of school buses.

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2007.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Deficit Fund Balances**

Fund balances at June 30, 2007 included the following individual fund deficits:

<u>Nonmajor Funds</u>	<u>Deficit</u>
Food Service	\$ 53,008
Ohio Reads	207
Title V	1,132

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

**A. Deposits with Financial Institutions**

At June 30, 2007, the carrying amount of all District deposits was \$13,936. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, \$33,793 of the District's bank balance of \$172,888 was exposed to custodial risk as discussed below, while \$139,095 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

**B. Investments**

As of June 30, 2007, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
STAR Ohio	\$ 3,717,434	\$ 3,717,434
	<u>\$ 3,717,434</u>	<u>\$ 3,717,434</u>

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

*Credit Risk:* Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2007:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$ 3,717,434	100.00
	<u>\$ 3,717,434</u>	<u>100.00</u>



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

**C. Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2007:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 13,936
Investments	<u>3,717,434</u>
Total	<u>\$ 3,731,370</u>
<u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 3,711,663
Agency funds	<u>19,707</u>
Total	<u>\$ 3,731,370</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund balances at June 30, 2007 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 59,703

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

- B. Interfund transfers for the year ended June 30, 2007, consisted of the following, as reported on the fund financial statements:

Transfers from the General fund to:	
Nonmajor governmental funds	\$ 1,179

This transfer was required to move resources from the general fund to the debt service fund for retirement of the District's asbestos removal note. Interfund transfers between governmental funds are eliminated on the statement of activities.

- C. Loans between governmental funds and the agency fund are reported as "loans receivable/payable" on the financial statements. The District had the following loan outstanding at fiscal year end:

<u>Loan From</u>	<u>Loan To</u>	<u>Amount</u>
General	Agency	\$ 847

This loan is expected to be repaid in the subsequent year as resources become available.

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**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2005. For 2006, tangible personal property is assessed at 18.75% for property including inventory. This percentage will be reduced to 12.5% for 2007, 6.25% for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Ashland, Holmes, Richland and Knox Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2007 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

The amount available as an advance at June 30, 2007 was \$1,717,411 in the general fund and \$38,768 in the permanent improvement fund (a nonmajor governmental fund). This amount has been recorded as revenue. The amount that was available as an advance at June 30, 2006 was \$773,831 in the general fund and \$17,190 in the permanent improvement fund (a nonmajor governmental fund).

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

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second Half Collections		2007 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 130,547,020	65.92	\$ 133,713,900	79.83
Public utility personal	27,634,550	13.95	13,762,203	8.22
Tangible personal property	<u>39,877,116</u>	<u>20.13</u>	<u>20,030,280</u>	<u>11.95</u>
Total	<u>\$ 198,058,686</u>	<u>100.00</u>	<u>\$ 167,506,383</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 40.90		\$ 40.54	

**NOTE 7- INCOME TAXES**

The District levies a voted tax of 1.25 percent for general operations on the income of residents and of estates. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. During fiscal year 2007, \$1,576,388 of income tax revenue was credited to the general fund.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2007 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of receivables reported on the Statement of Net Assets follows:

<b>Governmental Activities:</b>	
Taxes	\$ 5,779,027
Accounts	3,814
Intergovernmental	<u>151,649</u>
Total	<u>\$ 5,934,490</u>

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	<u>Balance</u> <u>June 30, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2007</u>
<b>Governmental Activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 78,472	\$ -	\$ -	\$ 78,472
Total capital assets, not being depreciated	<u>78,472</u>	<u>-</u>	<u>-</u>	<u>78,472</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	5,248,969	115,685	-	5,364,654
Furniture and equipment	1,757,544	107,990	(98,909)	1,766,625
Vehicles	<u>1,201,375</u>	<u>93,589</u>	<u>-</u>	<u>1,294,964</u>
Total capital assets, being depreciated	<u>8,207,888</u>	<u>317,264</u>	<u>(98,909)</u>	<u>8,426,243</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(3,603,798)	(100,952)	-	(3,704,750)
Furniture and equipment	(965,978)	(85,079)	45,660	(1,005,397)
Vehicles	<u>(566,154)</u>	<u>(109,613)</u>	<u>-</u>	<u>(675,767)</u>
Total accumulated depreciation	<u>(5,135,930)</u>	<u>(295,644)</u>	<u>45,660</u>	<u>(5,385,914)</u>
Governmental activities capital assets, net	<u>\$ 3,150,430</u>	<u>\$ 21,620</u>	<u>\$ (53,249)</u>	<u>\$ 3,118,801</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 104,325
Vocational	1,524
<u>Support Services:</u>	
Pupil	672
Instructional staff	3,079
Administration	4,575
Fiscal	252
Operations and maintenance	25,368
Pupil transportation	105,862
Extracurricular activities	49,120
Food service operations	<u>867</u>
Total depreciation expense	<u>\$ 295,644</u>

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

In the current year and in prior years, the District entered into capitalized leases for copier equipment. These lease agreements meet the criteria of capital lease as defined by FASB Statement 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 have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$100,470. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2007 totaled \$15,736 paid by the general fund. In addition to the principal payments, the District traded-in copiers previously recorded as capital lease obligations resulting in an expense of \$6,233 on the statement of activities.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2007:

<u>Year Ending June 30</u>	<u>Amount</u>
2008	\$ 18,859
2009	15,565
2010	12,019
2011	4,110
2012	<u>2,660</u>
Total minimum lease payment	53,213
Less: amount representing interest	<u>(6,852)</u>
Present value of minimum lease payments	<u>\$ 46,361</u>

**NOTE 11 - LONG-TERM OBLIGATIONS**

A. During the fiscal year 2007, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding <u>June 30, 2006</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>June 30, 2007</u>	Amounts Due in <u>One Year</u>
Asbestos removal notes	\$ 1,179	\$ -	\$ (1,179)	\$ -	\$ -
Capital lease obligation	50,890	17,440	(21,969)	46,361	15,677
Compensated absences	<u>1,094,677</u>	<u>127,077</u>	<u>(51,203)</u>	<u>1,170,551</u>	<u>108,631</u>
Total governmental activities	<u>\$ 1,146,746</u>	<u>\$ 144,517</u>	<u>\$ (74,351)</u>	<u>\$ 1,216,912</u>	<u>\$ 124,308</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

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. This note was repaid in full during fiscal year 2007 from the debt service fund.

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

Compensated absences will be paid from the fund which the employee's salaries are paid which, for the District is primarily the general fund, and the following nonmajor governmental funds: IDEA Part B Grants, Title I, Improving Teacher Quality and the food service fund.

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2007, are a voted debt margin of \$13,673,851 and an unvoted debt margin of \$151,932.

**NOTE 12 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. Effective August 2006, the District joined the Schools of Ohio Risk Sharing Authority (SORSA) to insure for risks of loss. The District has a comprehensive property and casualty policy, limit is \$38,102,606 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 \$6,000,000 liability/property and \$5,000 medical with a \$1,000 collision deductible. All board members, administrators and employees are covered under a District liability policy. The limits of this coverage are \$6,000,000 per occurrence and \$8,000,000 per aggregate. Settlements have not exceeded coverage in any of the last three years. There has not been a significant reduction in coverage from the prior year.

**B. Fidelity Bond**

The Board President, Superintendent and Treasurer have a \$50,000 position bond. The Treasurer is covered under an additional surety bond in the amount of \$25,000. All other school employees who are responsible for handling funds are covered by a \$50,000 fidelity bond.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - RISK MANAGEMENT – (Continued)**

**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/surgical, dental and vision insurance programs, providing our classified staff with one medical plan and our certified staff one medical plan. Premiums are paid into the self-insurance fund and are available to pay claims and administrative costs. A stop-loss insurance contract with a private insurance carrier covers specific liability claims in excess of \$50,000. Aggregate stop-loss claims are covered based on the aggregate stop-loss factor, times total plan population, times twelve months. The Boards share of the monthly premium follows:

	Single	Family
Certified Plan	\$ 427.70	\$ 980.83
Classified Plan	419.60	955.32

The claims liability of \$148,088 reported in the internal service fund at June 30, 2007 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity for the past two fiscal years are as follows:

Fiscal Year	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2007	\$ 210,000	\$ 1,175,018	\$ (1,236,930)	\$ 148,088
2006	120,262	1,285,253	(1,195,515)	210,000

**NOTE 13 - PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - PENSION PLANS – (Continued)**

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. 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, 2007, 2006, and 2005 were \$152,626, \$149,686, and \$166,414, respectively; 50.15% has been contributed for fiscal year 2007 and 100% for the fiscal years 2006 and 2005. \$76,081 represents the unpaid contribution for fiscal year 2007 and is recorded as a liability within the respective funds.

**B. State Teachers Retirement System**

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - PENSION PLANS – (Continued)**

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal years 2006 and 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2007, 2006, and 2005 were \$718,606, \$720,698, and \$701,376, respectively; 83.48% has been contributed for fiscal year 2007 and 100% for the fiscal years 2006 and 2005. \$118,709 represents the unpaid contribution for fiscal year 2007 and is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2007, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified 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.

STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$55,277 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.5 billion. For the fiscal year ended June 30, 2006 (the latest information available), net health care costs paid by STRS Ohio were \$282.743 million and STRS Ohio had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - POSTEMPLOYMENT BENEFITS – (Continued)**

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. Total surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, District paid \$76,445 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premiums contributions for the next year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158.751 million. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of \$295.6 million. At June 30, 2006 (the latest information available), SERS had 59,492 participants currently receiving health care benefits.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING – (Continued)**

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

**Net Change in Fund Balance**

	<u>General Fund</u>
Budget basis	\$ 666,882
Net adjustment for revenue accruals	1,039,011
Net adjustment for expenditure accruals	87,641
Net adjustment for other sources/uses	54,671
Adjustment for encumbrances	<u>150,659</u>
GAAP basis	<u>\$ 1,998,864</u>

**NOTE 16 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

A lawsuit has been filed by the Columbia Gas Transmission Corporation arguing that the Corporation's public utility property tax assessment rate should be 25% of true value rather than the 88% used by the Tax Commissioner. The Board of Tax Appeals has agreed with the Corporation and the case has been appealed by the Tax Commissioner of the Ohio Supreme Court. The District receives a significant amount of property tax from the Corporation. Should the Corporation prevail in the Supreme Court, it may be entitled to a refund from the District based on the lower assessment rate beginning from tax year 2001. The amount of the refund is estimated to be approximately \$97,898 per year. A portion of the refund may be recovered from additional State entitlement payments.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 17 - 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, 2007, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2006	\$ (332,702)	\$ -
Current year set-aside requirement	188,849	188,849
Current year offsets	-	(128,932)
Qualifying disbursements	<u>(504,380)</u>	<u>(149,154)</u>
 Total	 <u>\$ (648,233)</u>	 <u>\$ (89,237)</u>
 Cash balance carried forward to FY 2008	 <u>\$ (648,233)</u>	 <u>\$ -</u>

The District had qualifying disbursements during the year that reduced the set-aside amounts below zero for the textbooks/instructional materials reserve. These extra amounts may be used to reduce the set-aside requirement for future years. The negative amount is therefore presented as being carried forward to the next fiscal year. The capital acquisition reserve had current year offsets (not debt related) and qualifying disbursements in excess of current year set-aside requirement. These may not be carried forward.

In addition to the above statutory reserves, the District also received monies restricted for school bus purchases.

A schedule of the restricted assets at June 30, 2007 follows:

Amounts restricted for school bus purchases	\$ <u>10,241</u>
Total restricted assets	\$ <u><u>10,241</u></u>

Loudonville-Perrysville Exempted Village School District  
Ashland County

Schedule of Federal Awards Expenditures  
For the Year Ended June 30, 2007

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>						
<i>Passed through Ohio Department of Education:</i>						
Food Distribution Program	NA	10.550	\$ -	\$ 63,439	\$ -	\$ 63,439
Nutrition Cluster						
National School Breakfast Program	05PU	10.553	29,021	-	29,021	-
National School Lunch Program	LLP4	10.555	127,221	-	127,221	-
Total Nutrition Cluster			156,242	-	156,242	-
<b>Total United States Department of Agriculture</b>			156,242	63,439	156,242	63,439
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>						
<i>Passed through Ohio Department of Education</i>						
Special Education Cluster:						
Special Education- Grants to States	6B-SF	84.027	292,605	-	294,959	-
Total Special Education Cluster			292,605	-	294,959	-
Title I	C1S1	84.010	244,479	-	252,276	-
Safe and Drug Free Schools	DRS1	84.186	4,843	-	7,792	-
State Grants for Innovative Programs	C2S1	84.298	4,277	-	6,500	-
Education Technology State Grants	TJS1	84.318	2,235	-	2,562	-
Improving Teacher Quality State Grants	TRS1	84.367	54,241	-	55,722	-
Hurricane Education Recovery	HR01	84.938	1,500	-	1,500	-
<b>Total United States Department of Education</b>			604,180	-	621,311	-
<b>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<i>Passed through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program	NA	93.778	776	-	-	-
<b>Total United States Department of Health and Human Services</b>			776	-	-	-
<b>Total Federal Financial Assistance</b>			<b>\$ 761,198</b>	<b>\$ 63,439</b>	<b>\$ 777,553</b>	<b>\$ 63,439</b>

NA = Pass through entity number could not be located.  
See Notes to the Schedule of Federal Awards Receipts and Expenditures.

***Loudonville-Perrysville Exempted Village School District***  
*Notes to Schedule of Federal Awards Receipts and Expenditures*  
*For the Fiscal Year Ended June 30, 2007*

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B -FOOD DISTRIBUTIONS**

Reimbursement monies are commingled with local receipts and state grants. It is assumed federal moneys are expended first.

Food Distribution Program nonmonetary assistance is not part of the Nutrition Cluster; however, it is reported in the schedule of expenditures of federal awards at the fair market value of the commodities received and disbursed. At June 30, 2007, the School District had no significant food commodities inventory.

**NOTE C – MEDICAL ASSISTANCE PROGRAM**

As of July 1, 2005, the Community Alternative Funding System (CAFS) program (CFDA #93.778) no longer exists as a funding stream. All remittances subsequent to this date reflect settlements of past years. In fiscal year 2007, the District received \$6,646 in settlements related to expenditures made in prior years.

# BALESTRA, HARR & SCHERER CPAs, INC.

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## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based On an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

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

We have audited the accompanying financial statements of the Loudonville Perrysville Exempted Village School District, Ashland County, Ohio (the District), as of and for the year ended June 30, 2007, and have issued our report thereon dated December 28, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the accounting basis described in Note 2 such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

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

This report is intended solely for the information and use of management and members of the Board and is not intended to be and should not be used by anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.  
December 28, 2007



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

Members of the Board

Loudonville-Perrysville Exempted Village School District

210 East Main Street

Loudonville, Ohio 44842

### **Compliance**

We have audited the compliance of the Loudonville Perrysville Exempted Village School District (the 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 its major federal program for the year ended June 30, 2007. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

### **Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Members of the Board

Loudonville Perrysville Exempted Village School District

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

Page 2


### **Internal Control Over Compliance (Continued)**

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

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

This report is intended solely for the information and use of the management, the audit committee, members of the Board, 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.



Balestra, Harr & Scherer, CPAs, Inc.

December 28, 2007

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**  
**ASHLAND COUNTY**  
**JUNE 30, 2007**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A-133 SECTION .505**

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

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant internal control conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA # 84.027 Education Grants for States
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**  
*ASHLAND COUNTY*  
*JUNE 30, 2007*

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*  
*OMB CIRCULAR A-133 SECTION .505*

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

Finding Number	None
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**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

Finding Number	None
CFDA Title and Number	
Federal Award Number/Year	
Federal Agency	
Pass-Through Agency	



**Mary Taylor, CPA**  
Auditor of State

**LOUDONVILLE-PERRYVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

**ASHLAND COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 6, 2008**