

Loudonville-Perrysville Exempted Village School District  
Ashland County, Ohio

Single Audit

July 1, 2009 through June 30, 2010  
Fiscal Years Audited Under GAGAS: 2010



**Balestra, Harr & Scherer, CPAs, Inc.**

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# Dave Yost • 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, 2009 through June 30, 2010. 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.

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Dave Yost  
Auditor of State

January 31, 2011

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Loudonville-Perrysville Exempted Village School District  
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### 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, the major fund, and the aggregate remaining fund information of the Loudonville-Perrysville Exempted Village School District (the School District), Ashland County, Ohio, as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

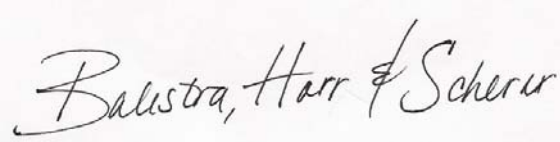
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Loudonville-Perrysville Exempted Village School District, Ashland County, as of June 30, 2010, 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 22, 2010, on our consideration of the School 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United states of America requires. 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.

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

As described in Note 3 to the basic financial statements, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, and GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer CPAs, Inc.  
December 22, 2010

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The management's discussion and analysis of the Loudonville-Perrysville Exempted Village School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. 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 2010 are as follows:

- In total, net assets of governmental activities increased \$344,124 which represents a 5.16% increase from 2009.
- General revenues accounted for \$11,441,463 in revenue or 81.98% of all revenues. Program specific revenues, in the form of charges for services and sales, grants and contributions accounted for \$2,515,297 or 18.02% of total revenues of \$13,956,760.
- The District had \$13,612,636 in expenses related to governmental activities; only \$2,515,297 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$11,441,463 were adequate to provide for these programs.
- The District's major governmental fund is the general fund. The general fund had \$11,813,687 in revenues and other financing sources and \$11,548,289 in expenditures. During fiscal 2010, the general fund's fund balance increased \$265,398 from \$3,645,345 to \$3,910,743.

**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, 2010

**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 2010?" 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, 2010

***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 24-48 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 2010 and 2009.

	<b>Net Assets</b>	
	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 10,378,593	\$ 10,032,212
Capital assets, net	<u>3,940,285</u>	<u>3,934,563</u>
Total assets	<u>14,318,878</u>	<u>13,966,775</u>
<b><u>Liabilities</u></b>		
Current liabilities	4,557,091	4,848,923
Long-term liabilities	<u>2,742,686</u>	<u>2,442,875</u>
Total liabilities	<u>7,299,777</u>	<u>7,291,798</u>
<b><u>Net assets</u></b>		
Invested in capital assets, net of related debt	2,804,096	2,990,148
Restricted	211,741	263,084
Unrestricted	<u>4,003,264</u>	<u>3,421,745</u>
Total net assets	<u><u>\$ 7,019,101</u></u>	<u><u>\$ 6,674,977</u></u>

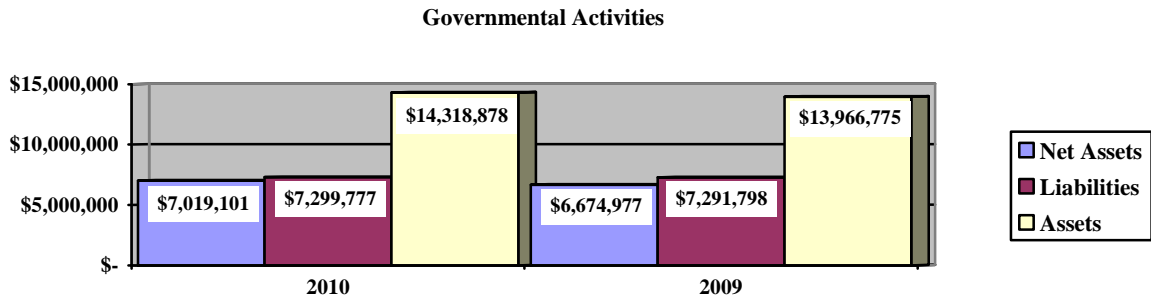
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the District's assets exceeded liabilities by \$7,019,101.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

At year-end, capital assets represented 27.52% 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, 2010, were \$2,804,096. 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, \$211,741, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$4,003,264 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 2010 and 2009.

	<u>Change in Net Assets</u>	
	<u>Governmental Activities 2010</u>	<u>Governmental Activities 2009</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 899,710	\$ 881,563
Operating grants and contributions	1,615,587	1,333,291
Capital grants and contributions	-	12,035
General revenues:		
Property taxes	4,746,715	5,202,675
Income taxes	1,431,796	1,551,652
Grants and entitlements	5,175,094	4,974,632
Investment earnings	41,042	86,734
Other	46,816	33,551
<b>Total revenues</b>	<b><u>13,956,760</u></b>	<b><u>14,076,133</u></b>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Change in Net Assets

	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 5,150,006	\$ 5,502,594
Special	1,403,382	1,138,968
Vocational	399,085	334,079
Other	788,369	828,647
Support services:		
Pupil	721,932	747,163
Instructional staff	771,054	721,328
Board of education	27,635	27,443
Administration	995,819	1,033,615
Fiscal	333,278	450,352
Business	11,228	11,390
Operations and maintenance	1,048,224	1,088,213
Pupil transportation	776,015	764,913
Central	98,234	79,561
Operation of non-instructional services:		
Food service operations	457,923	498,836
Other non-instructional services	77,165	52,536
Extracurricular activities	500,158	470,618
Interest and fiscal charges	<u>53,129</u>	<u>39,778</u>
Total expenses	<u>13,612,636</u>	<u>13,790,034</u>
Change in net assets	344,124	286,099
Net assets at beginning of year	<u>6,674,977</u>	<u>6,388,878</u>
Net assets at end of year	<u>\$ 7,019,101</u>	<u>\$ 6,674,977</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$344,124. Total governmental expenses of \$13,612,636 were offset by program revenues of \$2,515,297 and general revenues of \$11,441,463. Program revenues supported 18.48% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes and unrestricted grants and entitlements. These revenue sources represent 81.35% of total governmental revenue. Real estate property is reappraised every six years.

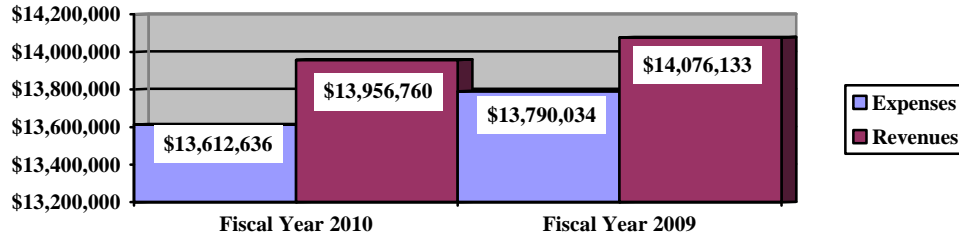
The largest expense of the District is for instructional programs. Instruction expenses totaled \$7,740,842 or 56.87% of total governmental expenses for fiscal 2010.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2010 and 2009.

**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**

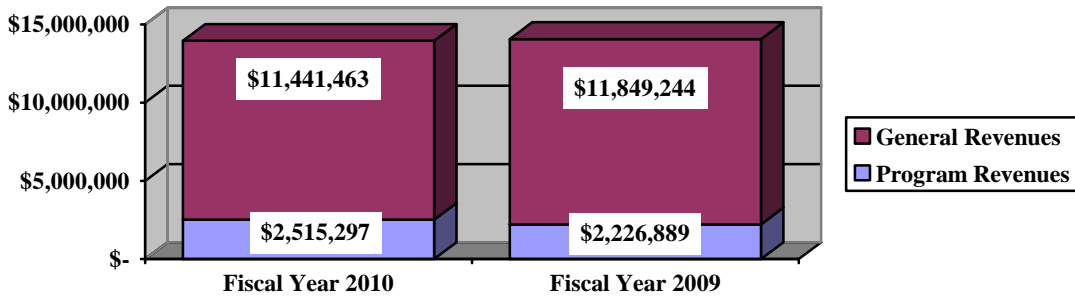
	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>	Total Cost of Services <u>2009</u>	Net Cost of Services <u>2009</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 5,150,006	\$ 4,247,240	\$ 5,502,594	\$ 4,958,582
Special	1,403,382	551,913	1,138,968	172,843
Vocational	399,085	370,630	334,079	305,391
Other	788,369	776,929	828,647	827,744
Support services:				
Pupil	721,932	713,138	747,163	740,287
Instructional staff	771,054	727,066	721,328	700,099
Board of education	27,635	27,635	27,443	27,443
Administration	995,819	992,212	1,033,615	1,019,696
Fiscal	333,278	333,278	450,352	450,352
Business	11,228	11,228	11,390	11,390
Operations and maintenance	1,048,224	1,046,024	1,088,213	1,087,166
Pupil transportation	776,015	746,359	764,913	735,862
Central	98,234	76,801	79,561	62,561
Food service operations	457,923	(30,326)	498,836	16,286
Operations of non-instructional services	77,165	76,907	52,536	52,269
Extracurricular activities	500,158	377,176	470,618	355,396
Interest and fiscal charges	53,129	53,129	39,778	39,778
<b>Total expenses</b>	<u>\$ 13,612,636</u>	<u>\$ 11,097,339</u>	<u>\$ 13,790,034</u>	<u>\$ 11,563,145</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The dependence upon tax and other general revenues for governmental activities is apparent, 76.82% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 81.52%. The District's taxpayers and unrestricted grants and entitlements received from the State, as a whole, are by far the primary support for District's students. The graph below presents the District's governmental activities revenue for fiscal year 2010 and 2009.

**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 \$3,986,766, which is higher than last year's total of \$3,827,868. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2010 and 2009.

	Fund Balance <u>June 30, 2010</u>	Fund Balance <u>June 30, 2009</u>	Increase <u>(Decrease)</u>
General	\$ 3,910,743	\$ 3,645,345	\$ 265,398
Other Governmental	<u>76,023</u>	<u>182,523</u>	<u>(106,500)</u>
Total	<u>\$ 3,986,766</u>	<u>\$ 3,827,868</u>	<u>\$ 158,898</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

***General Fund***

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

	<u>2010</u> <u>Amount</u>	<u>2009</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 6,014,634	\$ 6,625,373	(9.22) %
Tuition	473,241	443,145	6.79 %
Earnings on investments	31,439	85,119	(63.06) %
Intergovernmental	5,239,847	5,287,907	(0.91) %
Other revenues	<u>53,734</u>	<u>58,471</u>	(8.10) %
 Total	 <u>\$ 11,812,895</u>	 <u>\$ 12,500,015</u>	 (5.50) %
<b><u>Expenditures</u></b>			
Instruction	6,442,864	6,940,770	(7.17) %
Support services	4,579,097	4,834,195	(5.28) %
Operation of non-instructional services	76,150	51,625	47.51 %
Extracurricular activities	313,076	297,085	5.38 %
Facilities acquisition and construction	18,814	44,490	(57.71) %
Debt service	<u>118,288</u>	<u>47,458</u>	149.25 %
 Total	 <u>\$ 11,548,289</u>	 <u>\$ 12,215,623</u>	 (5.46) %

The District experienced a 5.5% decrease in general fund revenues. The decrease in intergovernmental revenue was a result of the Ohio Department of Education removing a portion of state foundation payment and supplanting it with federal monies in the form of State Fiscal Stabilization Funds. These supplanted funds had previously been receipted directly into the general fund. The decrease in tax revenue is due to HB 66, which phases out the tax on tangible personal property of general businesses. The District is reimbursed for this lost revenue from the State. This reimbursement will be phased out in calendar years 2011-2017. Earnings on investments decreased 63.06%. This decrease is primarily due to declining interest rates on investments. Total general fund expenditures decreased 5.46% as a result of conservative budgeting and cost saving measures. The increase in debt service expenditures was a result of the principal payments on the new OASBO loan that was used to pay for HB 264 improvements.

***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 2010, the District amended its general fund budget. For the general fund, original and final budgeted revenues and other financing sources were \$11,655,460 and \$11,823,085. Actual revenues and other financing sources for fiscal 2010 was \$11,902,972. This represents a \$79,887 increase over final budgeted revenues.

General fund original and final appropriations (appropriated expenditures and other financing uses) were \$12,031,608 and \$11,881,170. The actual budget basis expenditures and other financing uses for fiscal year 2010 totaled \$11,796,559, which was \$84,611 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, 2010

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2010, the District had \$3,940,285 invested in land, buildings and improvements, furniture and equipment, and vehicles. The entire amount is reported in governmental activities. The following table shows fiscal 2010 balances compared to 2009:

<b>Capital Assets at June 30 (Net of Depreciation)</b>		
<u>Governmental Activities</u>		
	<u>2010</u>	<u>2009</u>
Land	\$ 78,472	\$ 78,472
Construction in progress	-	546,530
Building and improvements	2,670,236	2,002,866
Furniture and equipment	699,514	710,271
Vehicles	<u>492,063</u>	<u>596,424</u>
<b>Total</b>	<b><u>\$ 3,940,285</u></b>	<b><u>\$ 3,934,563</u></b>

Total additions to capital assets for 2010 were \$406,667. Disposals to capital assets for 2010 were \$31,696 (net of accumulated depreciation). Depreciation expense for fiscal 2010 was \$369,249. Overall, capital assets of the District increased \$5,722.

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

***Debt Administration***

At June 30, 2010, the District had \$1,136,189 in capital lease agreements and an OASBO pool loan outstanding. Of this total, \$66,970 is due within one year and \$1,069,219 is due within greater than one year. The following table summarizes the lease agreements and loan outstanding.

<b>Outstanding Debt, at Year End</b>		
	<u>Governmental Activities 2010</u>	<u>Governmental Activities 2009</u>
Capital lease agreements	\$ 9,129	\$ 15,069
OASBO pool loan	<u>1,127,060</u>	<u>929,346</u>
<b>Total</b>	<b><u>\$ 1,136,189</u></b>	<b><u>\$ 944,415</u></b>

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



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**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 years, this loss of revenue must be anticipated and replaced in the future.

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

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

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

**Contacting the District's Financial Management**

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

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

STATEMENT OF NET ASSETS  
JUNE 30, 2010

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 5,166,771
Receivables:	
Taxes. . . . .	4,982,969
Accrued interest . . . . .	11,218
Intergovernmental . . . . .	156,997
Prepayments . . . . .	38,179
Materials and supplies inventory. . . . .	1,966
Inventory held for resale . . . . .	20,493
Capital assets:	
Land. . . . .	78,472
Depreciable capital assets, net. . . . .	3,861,813
Capital assets, net . . . . .	3,940,285
 Total assets. . . . .	 14,318,878
<b>Liabilities:</b>	
Accounts payable. . . . .	71,697
Accrued wages and benefits . . . . .	1,114,344
Pension obligation payable. . . . .	300,259
Intergovernmental payable . . . . .	51,247
Accrued interest payable . . . . .	4,235
Unearned revenue . . . . .	2,887,788
Accrued vacation payable. . . . .	44,568
Claims payable. . . . .	82,953
Long-term liabilities:	
Due within one year. . . . .	283,159
Due within more than one year . . . . .	2,459,527
 Total liabilities . . . . .	 7,299,777
<b>Net assets:</b>	
Invested in capital assets, net of related debt. . . . .	2,804,096
Restricted for:	
Capital projects . . . . .	79,146
Locally funded programs . . . . .	21,470
Federally funded programs . . . . .	263
Public school support . . . . .	31,768
Student activities . . . . .	43,797
Other purposes . . . . .	35,297
Unrestricted. . . . .	4,003,264
 Total net assets . . . . .	 \$ 7,019,101

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, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Total
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 5,150,006	\$ 514,117	\$ 388,649	\$ (4,247,240)
Special . . . . .	1,403,382	29,428	822,041	(551,913)
Vocational . . . . .	399,085	-	28,455	(370,630)
Other . . . . .	788,369	-	11,440	(776,929)
Support services:				
Pupil . . . . .	721,932	-	8,794	(713,138)
Instructional staff . . . . .	771,054	-	43,988	(727,066)
Board of education . . . . .	27,635	-	-	(27,635)
Administration . . . . .	995,819	3,549	58	(992,212)
Fiscal . . . . .	333,278	-	-	(333,278)
Business . . . . .	11,228	-	-	(11,228)
Operations and maintenance . . . . .	1,048,224	2,200	-	(1,046,024)
Pupil transportation . . . . .	776,015	4,087	25,569	(746,359)
Central . . . . .	98,234	-	21,433	(76,801)
Operation of non-instructional services:				
Food service operations . . . . .	457,923	223,347	264,902	30,326
Other non-instructional services . . . . .	77,165	-	258	(76,907)
Extracurricular activities . . . . .	500,158	122,982	-	(377,176)
Interest and fiscal charges . . . . .	53,129	-	-	(53,129)
<b>Total governmental activities . . . . .</b>	<b>\$ 13,612,636</b>	<b>\$ 899,710</b>	<b>\$ 1,615,587</b>	<b>(11,097,339)</b>
<b>General revenues:</b>				
Property taxes levied for:				
General purposes . . . . .				4,649,609
Capital projects . . . . .				97,106
Income taxes levied for:				
General purposes . . . . .				1,431,796
Grants and entitlements not restricted to specific programs . . . . .				5,175,094
Investment earnings . . . . .				41,042
Miscellaneous . . . . .				46,816
<b>Total general revenues . . . . .</b>				<b>11,441,463</b>
Change in net assets . . . . .				344,124
<b>Net assets at beginning of year . . . . .</b>				<b>6,674,977</b>
<b>Net assets at end of year . . . . .</b>				<b>\$ 7,019,101</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Equity in pooled cash and cash equivalents. . . . .	\$ 3,426,816	\$ 259,657	\$ 3,686,473
Receivables:			
Taxes. . . . .	4,896,544	86,425	4,982,969
Intergovernmental . . . . .	94,954	62,043	156,997
Accrued interest . . . . .	11,218	-	11,218
Interfund loans. . . . .	33,898	-	33,898
Prepayments. . . . .	38,179	-	38,179
Materials and supplies inventory. . . . .	-	1,966	1,966
Inventory held for resale. . . . .	-	20,493	20,493
Restricted assets:			
Equity in pooled cash and cash equivalents . . . . .	18,706	-	18,706
Total assets . . . . .	\$ 8,520,315	\$ 430,584	\$ 8,950,899
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 45,589	\$ 26,108	\$ 71,697
Accrued wages and benefits. . . . .	921,731	192,613	1,114,344
Compensated absences payable . . . . .	129,597	-	129,597
Pension obligation payable . . . . .	268,026	32,233	300,259
Intergovernmental payable . . . . .	43,319	7,928	51,247
Interfund loans payable. . . . .	-	33,898	33,898
Deferred revenue . . . . .	368,996	6,307	375,303
Unearned revenue. . . . .	2,832,314	55,474	2,887,788
Total liabilities. . . . .	4,609,572	354,561	4,964,133
<b>Fund balances:</b>			
Reserved for encumbrances . . . . .	31,484	25,065	56,549
Reserved for supplies inventory . . . . .	-	22,459	22,459
Reserved for prepayments. . . . .	38,179	-	38,179
Reserved for property tax unavailable for appropriation . . . . .	1,258,524	24,644	1,283,168
Reserved for capital maintenance . . . . .	6,671	-	6,671
Reserved for school bus purchases . . . . .	12,035	-	12,035
Unreserved, undesignated (deficit), reported in:			
General fund. . . . .	2,563,850	-	2,563,850
Special revenue funds . . . . .	-	(27,952)	(27,952)
Capital projects funds . . . . .	-	31,807	31,807
Total fund balances . . . . .	3,910,743	76,023	3,986,766
Total liabilities and fund balances . . . . .	\$ 8,520,315	\$ 430,584	\$ 8,950,899

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, 2010

<b>Total governmental fund balances</b>		\$	3,986,766
<i>Amounts reported for governmental activities on 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.			3,940,285
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	324,868	
Accrued interest receivable		11,218	
Intergovernmental receivable		39,217	
Total		375,303	375,303
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.			1,378,639
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(4,235)
Long-term liabilities, including capital lease obligations and loans payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		1,476,900	
Accrued vacation payable		44,568	
Capital lease obligation		9,129	
OASBO pool loan		1,127,060	
Total		(2,657,657)	(2,657,657)
<b>Net assets of governmental activities</b>		\$	7,019,101

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, 2010

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Property taxes . . . . .	\$ 4,582,838	\$ 95,766	\$ 4,678,604
Income taxes . . . . .	1,431,796	-	1,431,796
Tuition . . . . .	473,241	-	473,241
Transportation fees . . . . .	4,087	-	4,087
Earnings on investments . . . . .	31,439	-	31,439
Charges for services . . . . .	-	223,347	223,347
Extracurricular . . . . .	-	160,038	160,038
Classroom materials and fees . . . . .	32,764	4,033	36,797
Other local revenues . . . . .	16,883	89,152	106,035
Intergovernmental - state . . . . .	5,167,057	53,005	5,220,062
Intergovernmental - federal . . . . .	72,790	1,458,467	1,531,257
Total revenue . . . . .	<u>11,812,895</u>	<u>2,083,808</u>	<u>13,896,703</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	4,742,801	430,548	5,173,349
Special . . . . .	535,261	867,427	1,402,688
Vocational . . . . .	386,308	3,557	389,865
Other . . . . .	778,494	9,951	788,445
Support services:			
Pupil . . . . .	732,728	9,110	741,838
Instructional staff . . . . .	770,952	39,845	810,797
Board of education . . . . .	27,635	-	27,635
Administration . . . . .	980,472	3,376	983,848
Fiscal . . . . .	330,178	-	330,178
Business . . . . .	11,228	-	11,228
Operations and maintenance . . . . .	957,703	-	957,703
Pupil transportation . . . . .	690,451	9,150	699,601
Central . . . . .	77,750	20,484	98,234
Operation of non-instructional services:			
Other non-instructional services . . . . .	76,150	2,598	78,748
Food service operations . . . . .	-	484,954	484,954
Extracurricular activities . . . . .	313,076	120,766	433,842
Facilities acquisition and construction . . . . .	18,814	445,256	464,070
Debt service:			
Principal retirement . . . . .	64,940	-	64,940
Interest and fiscal charges . . . . .	53,348	-	53,348
Total expenditures . . . . .	<u>11,548,289</u>	<u>2,447,022</u>	<u>13,995,311</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>264,606</u>	<u>(363,214)</u>	<u>(98,608)</u>
<b>Other financing sources:</b>			
OASBO pool loan . . . . .	-	256,714	256,714
Sale of assets . . . . .	792	-	792
Total other financing sources . . . . .	<u>792</u>	<u>256,714</u>	<u>257,506</u>
Net change in fund balances . . . . .	265,398	(106,500)	158,898
<b>Fund balances at beginning of year . . . . .</b>	<u>3,645,345</u>	<u>182,523</u>	<u>3,827,868</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 3,910,743</u>	<u>\$ 76,023</u>	<u>\$ 3,986,766</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, 2010**

**Net change in fund balances - total governmental funds** \$ 158,898

*Amounts reported for governmental activities in the statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset additions exceeds depreciation expense in the current period.

Capital asset additions	\$	406,667	
Current year depreciation		(369,249)	
Total		37,418	37,418

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. (31,696)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Delinquent property taxes		68,111	
Intergovernmental revenue		(9,912)	
Interest revenue		9,603	
Total		67,802	67,802

Proceeds of the OASBO pool loan are recorded as other financing sources 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. (256,714)

Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. More interest is reported in the statement of activities due to the increase in accrued interest payable. 219

Repayment of loan and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 64,940

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		(106,098)	
Accrued vacation		2,801	
Total		(103,297)	(103,297)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue of the internal service fund is allocated among the governmental activities. 406,554

**Change in net assets of governmental activities** \$ 344,124

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 4,456,103	\$ 4,640,375	\$ 4,550,738	\$ (89,637)
Income taxes. . . . .	1,447,400	1,400,000	1,478,138	78,138
Tuition. . . . .	463,400	480,500	473,241	(7,259)
Transportation fees. . . . .	4,002	4,000	4,087	87
Earnings on investments . . . . .	58,865	55,000	60,115	5,115
Classroom materials and fees . . . . .	32,083	30,000	32,764	2,764
Rental income . . . . .	-	1,000	-	(1,000)
Other local revenues . . . . .	22,407	10,000	22,883	12,883
Intergovernmental - state . . . . .	5,072,574	5,160,022	5,180,300	20,278
Intergovernmental - federal . . . . .	39,812	15,000	40,657	25,657
Total revenue . . . . .	<u>11,596,644</u>	<u>11,795,897</u>	<u>11,842,923</u>	<u>47,026</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	5,009,829	4,867,880	4,866,118	1,762
Special. . . . .	465,831	465,831	543,336	(77,505)
Vocational. . . . .	320,860	320,860	357,315	(36,455)
Other. . . . .	889,347	879,327	780,040	99,287
Support services:				
Pupil. . . . .	734,878	734,878	740,241	(5,363)
Instructional staff . . . . .	776,620	776,620	764,442	12,178
Board of education . . . . .	26,724	26,724	27,635	(911)
Administration. . . . .	1,006,720	1,008,251	1,007,261	990
Fiscal . . . . .	400,317	400,317	371,170	29,147
Business . . . . .	12,000	12,000	11,215	785
Operations and maintenance. . . . .	1,032,486	1,032,486	990,691	41,795
Pupil transportation . . . . .	707,375	707,375	688,870	18,505
Central. . . . .	130,700	130,700	77,750	52,950
Operation of non-instructional services . . . . .	53,784	53,784	71,941	(18,157)
Extracurricular activities. . . . .	295,673	295,673	313,359	(17,686)
Facilities acquisition and construction . . . . .	47,332	47,332	40,145	7,187
Debt service:				
Principal . . . . .	59,000	59,000	59,000	-
Interest and fiscal charges. . . . .	52,132	52,132	52,132	-
Total expenditures . . . . .	<u>12,021,608</u>	<u>11,871,170</u>	<u>11,762,661</u>	<u>108,509</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>(424,964)</u>	<u>(75,273)</u>	<u>80,262</u>	<u>155,535</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	34,340	2,000	35,069	33,069
Transfers in . . . . .	16	-	-	-
Advances in. . . . .	23,685	24,188	24,188	-
Advances (out) . . . . .	(10,000)	(10,000)	(33,898)	(23,898)
Sale of capital assets . . . . .	775	1,000	792	(208)
Total other financing sources (uses) . . . . .	<u>48,816</u>	<u>17,188</u>	<u>26,151</u>	<u>8,963</u>
Net change in fund balance . . . . .	(376,148)	(58,085)	106,413	164,498
<b>Fund balance at beginning of year . . . . .</b>	<b>3,231,100</b>	<b>3,231,100</b>	<b>3,231,100</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>58,066</b>	<b>58,066</b>	<b>58,066</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b><u>\$ 2,913,018</u></b>	<b><u>\$ 3,231,081</u></b>	<b><u>\$ 3,395,579</u></b>	<b><u>\$ 164,498</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2010

		<b>Governmental Activities - Internal Service Funds</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$	1,461,592
		<hr/>
Total assets. . . . .		1,461,592
		<hr/>
<b>Liabilities:</b>		
Claims payable . . . . .		82,953
		<hr/>
Total liabilities. . . . .		82,953
		<hr/>
<b>Net assets:</b>		
Unrestricted. . . . .		1,378,639
		<hr/>
Total net assets . . . . .	\$	1,378,639
		<hr/> <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u><b>Governmental Activities - Internal Service Funds</b></u>
<b>Operating revenues:</b>	
Charges for services. . . . .	\$ 1,971,065
 Total operating revenues . . . . .	 <u>1,971,065</u>
<b>Operating expenses:</b>	
Purchased services. . . . .	529,707
Claims . . . . .	<u>1,034,804</u>
 Total operating expenses. . . . .	 <u>1,564,511</u>
 Operating income/change in net assets . . . . .	 406,554
 <b>Net assets at beginning of year . . . . .</b>	 <u>972,085</u>
 <b>Net assets at end of year. . . . .</b>	 <u>\$ 1,378,639</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

		<b>Governmental Activities - Internal Service Funds</b>
<b>Cash flows from operating activities:</b>		
Cash received from charges for services . . . . .	\$	1,971,065
Cash payments for purchased services . . . . .		(529,707)
Cash payments for other expenses . . . . .		(1,067,109)
		374,249
Net cash provided by operating activities . . . . .		374,249
Net increase in cash and cash cash equivalents . . . . .		374,249
<b>Cash and cash equivalents at beginning of year . . . . .</b>		<b>1,087,343</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>\$</b>	<b>1,461,592</b>
		<b>1,461,592</b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income . . . . .	\$	406,554
Changes in assets and liabilities:		
Decrease in claims payable . . . . .		(32,305)
		(32,305)
Net cash provided by operating activities. . . . .	\$	374,249

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2010

	<b>Agency</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 11,786
	\$ 11,786
Total assets. . . . .	\$ 11,786
<b>Liabilities:</b>	
Intergovernmental payable . . . . .	\$ 3
Due to students. . . . .	11,783
	\$ 11,786
Total liabilities . . . . .	\$ 11,786

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, 2010**

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

The District ranks as the 424<sup>th</sup> largest by enrollment among the 934 public school districts and community schools in the State. The District employs 81 non-certified and 104 certified full-time and part-time employees to provide services to 1,265 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 and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Tri-County Computer Service Association

The Tri-County Computer Service Association (TCCSA) is a jointly governed organization comprised of 20 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic technology for administrative and instructional functions for member school districts. Each of the governments of these school districts supports TCCSA based on a per pupil charge dependent upon the software package utilized. The TCCSA assembly consists of a superintendent or designated representative from each participating school district and a representative from the fiscal agent. TCCSA is governed by a Board of Directors chosen from the general membership of the TCCSA assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating school districts are located. Financial information can be obtained by contacting the Treasurer at the Tri-County Educational Service Center, which serves as fiscal agent, located in Wooster, Ohio. During the year ended June 30, 2010, the District paid \$165,121 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 2010.

**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, 2010**

**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) grants and other resources whose use is restricted to a particular purpose; and (c) food service operations.

*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, 2010**

**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 revenue of the District's internal service fund is charges for services. Operating expenses for the internal service fund includes claims and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

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

Revenue from income taxes, 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, 2010, but which were levied to finance fiscal year 2011 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 are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period including delinquent property taxes due at June 30, 2010, are recorded as deferred revenue.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**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. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**E. Budgets**

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

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

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

**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 2010, 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 shares price which is the price the investment could be sold for on June 30, 2010.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**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 2010 amounted to \$31,439, which includes \$7,581 assigned from other District funds.

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

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

**G. Inventory**

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

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

**H. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net 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, 2010**

**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". On the fund financial statements, receivables and payables resulting from short-term interfund loans to cover negative cash balances are classified as "due to/from other funds." These amounts are eliminated in the governmental activities column of 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 and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Loans and capital leases are recognized as a liability on the fund financial statements when due.

**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, materials and supplies inventories, prepayments, property tax revenue unavailable for appropriation, school bus purchases, and capital acquisitions. 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, 2010**

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

**M. 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 school bus purchases.

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

**N. 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.

**O. 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.

**P. 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. Transfers within governmental activities are eliminated on the statement of activities.

**Q. 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 and capital acquisitions.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

**R. 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 2010.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2010, the District has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the District.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the District.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the District.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**B. Deficit Fund Balances**

Fund balances at June 30, 2010 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 59,912
Uniform school supplies	236
Vocational education enhancement	30
IDEA Part B	24,306
Education stabilization fund	5,381
Title I disadvantaged children	19,386
Improving teacher quality	1,441
Drug Free School Grant Fund	235

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

**A. Deposits with Financial Institutions**

At June 30, 2010, the carrying amount of all District deposits was \$3,465,031. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, \$500,087 of the District's bank balance of \$3,523,052 was exposed to custodial risk as discussed below, while \$3,022,965 was covered by the FDIC.



**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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

**B. Investments**

As of June 30, 2010, 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	\$ 1,713,526	\$ 1,713,526

*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. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2010:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$ 1,713,526	100.00

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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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 note above to cash and investments as reported on the statement of net assets as of June 30, 2010:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 3,465,031
Investments	<u>1,713,526</u>
Total	<u>\$ 5,178,557</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 5,166,771
Agency fund	<u>11,786</u>
Total	<u>\$ 5,178,557</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund balances at June 30, 2010 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	\$ 33,898

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.

**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.

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, 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.

The District receives property taxes from Ashland, Holmes, Richland and Knox Counties. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available as an advance at June 30, 2010 was \$1,258,524 in the general fund and \$24,644 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2009 was \$1,226,424 in the general fund and \$23,881 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2010 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.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 6 - PROPERTY TAXES - (Continued)**

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 146,160,960	86.36	\$ 147,155,210	88.48
Public utility personal	18,834,570	11.13	18,848,890	11.33
Tangible personal property	<u>4,254,807</u>	<u>2.51</u>	<u>314,435</u>	<u>0.19</u>
Total	<u>\$ 169,250,337</u>	<u>100.00</u>	<u>\$ 166,318,535</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$40.43		\$40.35	

**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 2010, \$1,431,796 of income tax revenue was credited to the general fund.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2010 consisted of taxes, intergovernmental grants and entitlements and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of receivables reported on the statement of net assets follows:

**Governmental activities:**

Taxes:	
Property	\$ 4,495,824
Income	487,145
Intergovernmental	156,997
Accrued interest	<u>11,218</u>
Total	<u>\$ 5,151,184</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, 2010, was as follows:

	Balance <u>June 30, 2009</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2010</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 78,472	\$ -	\$ -	\$ 78,472
Construction in progress	546,530	131,133	(677,663)	-
Total capital assets, not being depreciated	<u>625,002</u>	<u>131,133</u>	<u>(677,663)</u>	<u>78,472</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	5,890,567	821,645	-	6,712,212
Furniture and equipment	1,832,491	117,973	(64,304)	1,886,160
Vehicles	1,416,208	13,579	-	1,429,787
Total capital assets, being depreciated	<u>9,139,266</u>	<u>953,197</u>	<u>(64,304)</u>	<u>10,028,159</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(3,887,701)	(154,275)	-	(4,041,976)
Furniture and equipment	(1,122,220)	(97,034)	32,608	(1,186,646)
Vehicles	(819,784)	(117,940)	-	(937,724)
Total accumulated depreciation	<u>(5,829,705)</u>	<u>(369,249)</u>	<u>32,608</u>	<u>(6,166,346)</u>
Governmental activities capital assets, net	<u>\$ 3,934,563</u>	<u>\$ 715,081</u>	<u>\$ (709,359)</u>	<u>\$ 3,940,285</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 153,508
Vocational	980
<u>Support services:</u>	
Pupil	201
Instructional staff	1,463
Administration	223
Fiscal	252
Operations and maintenance	33,456
Pupil transportation	112,208
Extracurricular activities	64,892
Food service operations	<u>2,066</u>
Total depreciation expense	<u>\$ 369,249</u>

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

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 \$26,696. 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 2010 totaled \$5,940 paid by the general fund.

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, 2010:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Amount</u>
2011	\$ 6,594
2012	<u>3,281</u>
Total minimum lease payment	9,875
Less: amount representing interest	<u>(746)</u>
Present value of minimum lease payments	<u>\$ 9,129</u>

**NOTE 11 - LONG-TERM OBLIGATIONS**

A. During the fiscal year 2010, the following changes occurred in governmental activities long-term obligations:

	<u>Balance</u> <u>Outstanding</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Outstanding</u> <u>June 30, 2010</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
Capital lease obligation	\$ 15,069	\$ -	\$ (5,940)	\$ 9,129	\$ 5,970
OASBO pool loan	929,346	256,714	(59,000)	1,127,060	61,000
Compensated absences	<u>1,498,460</u>	<u>252,602</u>	<u>(144,565)</u>	<u>1,606,497</u>	<u>216,189</u>
Total governmental activities	<u>\$ 2,442,875</u>	<u>\$ 509,316</u>	<u>\$ (209,505)</u>	<u>\$ 2,742,686</u>	<u>\$ 283,159</u>

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

In October 2008, the Board of Education authorized the District to issue a loan through the OASBO Expanded Asset Pooled Financing Program for an amount not to exceed \$1,201,000. This financing will be used to pay for the District's HB264 program which includes stadium lighting, boiler replacement, building automation systems and lighting upgrades. In November 2008, the contract for the project was awarded to H.E.A.T. Total Facility Solutions, Inc. of Worthington, Ohio in the sum not to exceed \$1,023,000. The loan is scheduled to run through December 1, 2023 and has an interest rate of 4.30%. The loan liability is reflected in the fund which received the proceeds. The loan will be repaid from the general fund. As of June 30, 2010, only \$1,186,060 of the available amount has been received. The District may request additional funding based on project needs. An amortization schedule will not be provided until the amount needed to complete the project is finalized.

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

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

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2010, are a voted debt margin of \$14,926,475 and an unvoted debt margin of \$165,850.

**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 \$40,729,437 aggregate. There is no deductible for any incidents on property and equipment. The District's vehicle insurance policy limit is \$6,000,000 liability/property and \$5,000 medical with no collision deductible. All Board members, administrators and employees are covered under a District liability policy. The limits of this coverage are \$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.

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

**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.

**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 350 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:

	<u>Single</u>	<u>Family</u>
Certified Plan	\$ 497.16	\$ 1,147.92
Classified Plan	470.89	1,074.12

The claims liability of \$82,953 reported in the internal service fund at June 30, 2010 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2010	\$ 115,258	\$ 1,034,804	\$ (1,067,109)	\$ 82,953
2009	130,173	1,238,090	(1,253,005)	115,258



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - PENSION PLANS**

**A. School Employees Retirement System**

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.78 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$204,561, \$140,899 and \$136,992, respectively; 50.74 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**B. State Teachers Retirement System of Ohio**

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

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

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

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

Funding Policy - For fiscal year 2010, 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. Contribution rates are established by the State Teachers Retirement Board, upon recommendations 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 STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$751,989, \$725,418 and \$725,625, respectively; 83.77 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$15,917 made by the District and \$11,369 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2010, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2010 was \$96.40 for most participants, but could be as high as \$353.60 depending on their income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2010, 0.46 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the actuarially determined amount was \$35,800.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009, and 2008 were \$38,654, \$94,483 and \$91,366, respectively; 50.74 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$12,165, \$11,625 and \$9,871, respectively; 50.74 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**B. State Teachers Retirement System of Ohio**

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$57,845, \$55,801 and \$55,817, respectively; 83.77 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**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 revenues, 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); and,
- (d) Advance-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ 106,413
Net adjustment for revenue accruals	(30,028)
Net adjustment for expenditure accruals	164,429
Net adjustment for other sources/uses	(25,359)
Adjustment for encumbrances	49,943
GAAP basis	\$ 265,398

**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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 16 - CONTINGENCIES - (Continued)**

**B. Litigation**

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

**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, 2010, the reserve activity was as follows:

	Textbooks/ Instructional <u>Materials</u>	Capital <u>Acquisition</u>
Set-aside balance as of June 30, 2009	\$ (1,156,838)	\$ -
Current year set-aside requirement	196,122	196,122
Current year offsets	-	(121,343)
Qualifying disbursements	<u>(430,811)</u>	<u>(68,108)</u>
Total	<u>\$ (1,391,527)</u>	<u>\$ 6,671</u>
Balance carried forward to fiscal year 2011	<u>\$ (1,391,527)</u>	<u>\$ 6,671</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.

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, 2010 follows:

Amounts restricted for school bus purchases	\$ 12,035
Amounts restricted for capital acquisition	<u>6,671</u>
Total restricted assets	<u>\$ 18,706</u>

Loudonville-Perrysville Exempted Village School District  
Ashland County  
Schedule of Federal Awards Receipts and Expenditures  
For the Fiscal Year Ended June 30, 2010

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>						
<i>Nutrition Cluster:</i>						
School Breakfast Program	3L70	10.553	54,089	-	54,089	-
Summer Food Service Program for Children	3L60	10.559	655	-	655	-
National School Lunch Program	3L60	10.555	212,078	52,654	212,078	52,654
Total Nutrition Cluster			<u>266,822</u>	<u>52,654</u>	<u>266,822</u>	<u>52,654</u>
<b>Total United States Department of Agriculture</b>			266,822	52,654	266,822	52,654
<b>United States Environmental Protection Agency</b>						
<i>Passed through Ohio EPA</i>						
Clean School Bus USA	N/A	66.036	9,150	-	9,150	-
<b>Total United States Environmental Protection Agency</b>			9,150	-	9,150	-
<b>United States Department of Education</b>						
<i>Passed through Ohio Department of Education</i>						
<i>Title I, Part A Cluster</i>						
Title I Grants to Local Education Agencies	3M00	84.010	373,087	-	360,883	-
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	3DK0	84.389	75,350	-	65,460	-
Total Title I, Part A Cluster			<u>448,437</u>	<u>-</u>	<u>426,343</u>	<u>-</u>
<i>Special Education Cluster:</i>						
Special Education_Grants to States	3M20	84.027	236,304	-	242,688	-
ARRA - Special Education Grants to States, Recovery Act	3DJ0	84.391	184,326	-	177,953	-
Total Special Education Cluster			<u>420,630</u>	<u>-</u>	<u>420,641</u>	<u>-</u>
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recover Act	GRF	84.394	277,880	-	241,705	-
Safe & Drug Free Schools and Communities_State Grants	3D10	84.186	7,850	-	8,086	-
Education Technology State Grants	3S20	84.318	3,037	-	2,774	-
Improving Teacher Quality State Grants	3Y60	84.367	62,398	-	62,208	-
<b>Total United States Department of Education</b>			1,220,232	-	1,161,757	-
<b>Total Federal Financial Assistance</b>			<u>\$ 1,496,204</u>	<u>\$ 52,654</u>	<u>\$ 1,437,729</u>	<u>\$ 52,654</u>

N/A - Not Available

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures

***Loudonville-Perrysville Exempted Village School District***  
*Notes to the Schedule of Federal Awards Receipts and Expenditures*  
*For the Fiscal Year Ended June 30, 2010*

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures is a summary of the activity of the School District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B -FOOD DONATIONS**

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditure) is reported in the Schedule at the fair value.

Cash receipts from the U.S. Department of Agriculture are comingled with State grants. It is assumed federal monies are expended first.



**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards***

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Loudonville-Perrysville Exempted Village School District, Ashland County (the School District), as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 22, 2010, wherein we noted that the School District implemented GASB Statements No. 51, No. 53, and No. 58. 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 the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected.

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



### **Compliance and Other Matters**

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

We intend this report solely for the information and use of management, members of the Board, federal awarding agencies and pass-through entities and others within the School District. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.  
December 22, 2010



**Report on Compliance With Requirements Applicable to Each Major Federal Program and  
on Internal Control Over Compliance Required by OMB Circular A-133**

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

To the Board of Education:

**Compliance**

We have audited the compliance of the Loudonville-Perrysville Exempted Village School District, Ashland County (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2010. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*, 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 reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the Loudonville-Perrysville Exempted Village School District, Ashland County, complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

**Internal Control Over Compliance**

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

**Internal Control Over Compliance (Continued)**

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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 over compliance that might be deficiencies, 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.

We intend this report solely for the information and use of, management, members of the Board, others within the School District, and federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.  
December 22, 2010

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY  
JUNE 30, 2010**

**SCHEDULE OF FINDINGS  
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 weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control 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):	Title I, Part A Cluster, CFDA # 84.010 and #84.389; Special Education Cluster, CFDA #84.027 and #84.391; and Nutrition Cluster, CFDA #10.553, #10.559, and #10.555
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

***LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY  
JUNE 30, 2010***

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

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

**None**

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

**None**

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY  
JUNE 30, 2010**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 § .315 (b)  
FOR THE YEAR ENDED JUNE 30, 2010**

Finding Number	Finding Summary	Fully Corrected?	No Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2009-001	Ohio Revised Code Section 5705.36(A) (4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.	Yes	



# Dave Yost • Auditor of State

**LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

**ASHLAND COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 15, 2011**