

**Loudonville-Perrysville  
Exempted Village School  
District**

*Audited Financial Statements*

*June 30, 2006*





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Loudonville-Perrysville Exempted Village School District, Ashland County, prepared by Rea & Associates, Inc., for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

March 8, 2007

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

**JUNE 30, 2006**

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

**JUNE 30, 2006**

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December 4, 2006

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

**Independent Auditor's Report**

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Loudonville-Perrysville Exempted Village School District (the "School District"), Ashland County, Ohio as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Loudonville-Perrysville Exempted Village School District, Ashland County, Ohio as of June 30, 2006, and the respective changes in financial position and the cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated December 4, 2006, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Loudonville-Perrysville Exempted Village School District  
Independent Accountants' Report  
December 4, 2006  
Page 2

Management's Discussion and Analysis on pages 3 through 10 are not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

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

*Hea & Associates, Inc.*



## **Loudonville-Perrysville Exempted Village School District**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
(Unaudited)*

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The discussion and analysis of the Loudonville-Perrysville Exempted Village School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for 2006 are as follows:

- General revenues accounted for \$11,192,104 in revenue or 83.5 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$2,215,380 or 16.5 percent of total revenues of \$13,407,484.
- Total program expenses were \$12,595,586.
- In total, net assets increased \$811,898.
- Outstanding debt decreased from \$21,765 to \$1,179 due to the current year payment of principal.

### **Using this Annual Report**

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

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

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

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

A question typically asked about the School District's finances, "How did we do financially during fiscal year 2006?" *The Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**Loudonville-Perrysville Exempted Village School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2006*  
*(Unaudited)*

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

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

The government-wide financial statements begin on page 11.

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

#### *Fund Financial Statements*

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

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

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

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

The governmental fund financial statements begin on page 13.

**Loudonville-Perrysville Exempted Village School District**  
*Management's Discussion and Analysis (Continued)*  
For the Fiscal Year Ended June 30, 2006  
(Unaudited)

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

The proprietary fund financial statements begin on page 18.

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

The fiduciary fund financial statements begin on page 21.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 22.

**The School District as a Whole**

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

Table 1 provides a summary of the School District's net assets for 2006 compared to 2005:

**(Table 1)**  
**Net Assets**

	Governmental Activities	
	2006	2005
<b>Assets</b>		
Current and Other Assets	\$ 8,761,513	\$ 7,604,645
Capital Assets	3,150,430	3,101,076
Total Assets	11,911,943	10,705,721
<b>Liabilities</b>		
Long-Term Liabilities	1,146,746	1,102,595
Other Liabilities	5,739,220	5,389,047
Total Liabilities	6,885,966	6,491,642
<b>Net Assets</b>		
Invested in Capital		
Assets Net of Related Debt	3,098,361	3,026,217
Restricted	281,283	283,818
Unrestricted	1,646,333	904,044
Total Net Assets	\$ 5,025,977	\$ 4,214,079

**Loudonville-Perrysville Exempted Village School District**  
*Management's Discussion and Analysis (Continued)*  
For the Fiscal Year Ended June 30, 2006  
(Unaudited)

Total assets increased by \$1,206,222. Cash increased by \$904,263 from the prior year, comprising the largest portion of the current assets increase. Taxes receivable increased by \$240,605. Capital assets increased by \$49,354 due to current year additional purchases exceeding depreciation expense. Total liabilities increased by \$394,324. The majority of this is due to \$296,374 increase in deferred revenue, which is related to the increase in property taxes receivable.

Table 2 shows the changes in net assets for fiscal years 2006 and 2005. This table presents two fiscal years in side-by-side comparisons. This will enable the reader to draw further conclusion about the School District's financial status and possibly project future problems.

**(Table 2)**  
**Changes in Net Assets**

	Governmental Activities	
	2006	2005
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for Services	\$ 791,914	\$ 749,563
Operating Grants	1,408,138	1,378,680
Capital Grants	15,328	11,538
<i>General Revenue:</i>		
Property Taxes	4,250,642	4,495,794
Income Taxes	2,124,846	1,547,697
Grants and Entitlements	4,670,788	4,519,309
Other	145,828	95,195
<i>Total Revenues</i>	13,407,484	12,797,776
<b>Program Expenses</b>		
Instruction	7,241,841	6,998,225
Support Services	4,342,740	4,077,147
Operation of Non-Instructional Services	595,102	511,271
Extracurricular Activities	411,731	403,976
Interest and Fiscal Charges	4,172	5,332
<i>Total Expenses</i>	12,595,586	11,995,951
Increase in Net Assets	\$ 811,898	\$ 801,825

**Loudonville-Perrysville Exempted Village School District**  
*Management's Discussion and Analysis (Continued)*  
For the Fiscal Year Ended June 30, 2006  
(Unaudited)

***Governmental Activities***

The School District has carefully planned its financial existence by forecasting its revenues and expenses over the next five years. The School District's revenue growth is mostly dependent upon property tax increases. Property taxes made up 31.7 percent of revenues for governmental activities for the School District in fiscal year 2006. Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating cost.

Instruction comprises 57.5 percent of governmental program expenses. Additional supporting services for pupils, staff and business operations encompassed an additional 34.5 percent. The remaining 8 percent of program expenses is used for other obligations of the School District such as non-instructional services, extracurricular activities and interest and fiscal charges.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. General revenues, including tax revenue, investment earnings, and unrestricted state entitlements, support the net cost of program services.

**(Table 3)**  
**Total and Net cost of Program Services**  
**Governmental Activities**

	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
Instruction	\$ 7,241,841	\$ (5,797,226)	\$ 6,998,225	\$ (5,515,815)
Support Services:				
Pupils and Instructional Staff	1,164,344	(1,142,919)	1,079,314	(1,059,342)
Board of Education, Administration, Business, and Fiscal	1,293,256	(1,293,256)	1,312,750	(1,269,252)
Operation and Maintenance of Plant	1,056,499	(1,047,201)	921,658	(921,658)
Pupil Transportation	774,432	(765,651)	695,250	(683,522)
Central	54,209	(37,209)	68,175	(45,575)
Operation of Non-Instructional Services	595,102	(41,587)	511,271	(248,374)
Extracurricular Activities	411,731	(250,985)	403,976	(273,725)
Interest and Fiscal Charges	4,172	(4,172)	5,332	(5,332)
<b>Total Expenses</b>	<b>\$ 12,595,586</b>	<b>\$ (10,380,206)</b>	<b>\$ 11,995,951</b>	<b>\$ (10,022,595)</b>

The dependence upon tax revenues for governmental activities is apparent. 33.7 percent of expenses are directly supported by local property taxes. Program revenues only support 17.6 percent of all governmental expenses. Program revenues include charges for services and grants and contributions that are program specific.

**Loudonville-Perrysville Exempted Village School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2006*  
*(Unaudited)*

**The School District's Funds**

Information about the School District's governmental funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$13,331,127 and expenditures of \$12,659,588. The net change in fund balance for the year was most significant in the general fund totaling \$632,182.

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2006, the School District amended its general fund budget several times. The most significant amendments occurred due to changes in the expenditure priorities in the buildings. For the general fund, the final budget basis expenditures were \$11,300,793 representing no increase from the original budget estimate of \$11,300,793. The School District's general fund unencumbered cash balance at the end of the fiscal year was \$1,579,502.

The School District uses a site-based budgeting system designed to tightly control total site budgets but provide flexibility for site management. Building principals are given a per pupil allocation for textbooks, instructional materials and equipment.

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2006, the School District had \$3,150,430 invested in land, buildings, equipment and vehicles. Table 4 shows fiscal year 2006 balances compared with 2005. More detailed information is presented in Note 10 of the notes to the basic financial statements.

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

	Governmental Activities	
	2006	2005
Land	\$ 78,472	\$ 78,472
Buildings and Improvements	1,645,171	1,675,975
Furniture and Equipment	791,566	765,732
Vehicles	635,221	580,897
Totals	\$ 3,150,430	\$ 3,101,076

The \$49,354 increase in capital assets was attributable to additional purchases exceeding depreciation expense.

**Loudonville-Perrysville Exempted Village School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2006*  
*(Unaudited)*

Senate Bill 345 requires the School District to set aside \$155.07 per pupil in each of two areas, one for the purchase of textbooks and materials related to instruction and the other for capital outlay. For fiscal year 2006, this amounted to \$188,488 for each set aside for Loudonville-Perrysville Exempted Village School District. The School District has qualifying disbursements or offsets exceeding these requirements for capital improvements and textbooks.

***Debt***

At June 30, 2006, the School District had \$1,179 in notes payable with the same amount being due within one year. During fiscal year 2006, \$20,586 of principal was repaid. Table 5 summarizes notes outstanding. More detailed information is presented in Note 11 of the notes to the basic financial statements.

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

	Governmental Activities	
	2006	2005
Asbestos Removal Notes	\$ 1,179	\$ 21,765

**Current Issues**

The Loudonville-Perrysville Exempted Village School District continues to receive strong support from the residents of the School District. As the preceding information shows, the School District relies heavily on its local property taxpayers. 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 2010.

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 personal property tax over five years. This affects taxes on all business tangible property and public utility property (telephone companies and railroads) – roughly 5% of the district's general fund revenues. While this discontinued revenue will be partially reimbursed by the State of Ohio for five (5) years, this loss of revenue must be anticipated and replaced in the future.

Another threat to our local revenue stream is a petition for reassessment filed by Columbia Gas beginning with tax year 2001. They have requested that their public utility personal property be assessed at 25% of true value rather than the current 88%. The Board of Tax Appeals ruled in favor of Columbia Gas in August 2006. The Ohio Department of Taxation appealed the decision to the Supreme Court, but a hearing has not yet been scheduled. If the Supreme Court rules in favor of Columbia Gas, the Loudonville-Perrysville School District stands to lose about \$345,000 in annual revenue, and may have to refund approximately \$1.7 million in tax revenue received for tax years 2001-2005. This potential revenue loss has not been reflected in the five-year forecast.

**Loudonville-Perrysville Exempted Village School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2006*  
*(Unaudited)*

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

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

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

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

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



**Loudonville-Perrysville Exempted Village School District**

*Statement of Net Assets*

*June 30, 2006*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 2,846,771
Receivables:	
Taxes	5,764,319
Accounts	2,812
Intergovernmental	115,157
Prepaid Items	10,727
Inventory Held for Resale	19,682
Materials and Supplies Inventory	2,045
Non-Depreciable Capital Assets	78,472
Depreciable Capital Assets, net	<u>3,071,958</u>
<i>Total Assets</i>	<u>11,911,943</u>
<b>Liabilities</b>	
Accounts Payable	26,402
Accrued Wages and Benefits	1,092,948
Intergovernmental Payable	288,377
Deferred Revenue	4,084,573
Accrued Vacation Leave Payable	36,920
Claims Payable	210,000
Long-Term Liabilities:	
Due Within One Year	16,831
Due in More Than One Year	<u>1,129,915</u>
<i>Total Liabilities</i>	<u>6,885,966</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	3,098,361
Restricted for Capital Outlay	148,371
Restricted for Other Purposes	132,912
Unrestricted	<u>1,646,333</u>
<i>Total Net Assets</i>	<u>\$ 5,025,977</u>

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

**Loudonville-Perrysville Exempted Village School District**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2006*

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$ 5,155,739	\$ 364,266	\$ 216,193	\$ 0	\$ (4,575,280)
Special	1,035,382	6,426	784,822	0	(244,134)
Vocational	398,998	0	72,908	0	(326,090)
Other	651,722	0	0	0	(651,722)
Support Services:					
Pupils	524,656	0	0	0	(524,656)
Instructional Staff	639,688	0	21,425	0	(618,263)
Board of Education	24,283	0	0	0	(24,283)
Administration	887,886	0	0	0	(887,886)
Fiscal	372,227	0	0	0	(372,227)
Business	8,860	0	0	0	(8,860)
Operation and Maintenance of Plant	1,056,499	0	0	9,298	(1,047,201)
Pupil Transportation	774,432	2,751	0	6,030	(765,651)
Central	54,209	0	17,000	0	(37,209)
Operation of Non-Instructional Services:					
Food Service Operations	538,260	256,947	295,790	0	14,477
Community Services	56,842	778	0	0	(56,064)
Extracurricular Activities	411,731	160,746	0	0	(250,985)
Interest and Fiscal Charges	4,172	0	0	0	(4,172)
<i>Total Governmental Activities</i>	<u>\$ 12,595,586</u>	<u>\$ 791,914</u>	<u>\$ 1,408,138</u>	<u>\$ 15,328</u>	<u>(10,380,206)</u>
<b>General Revenues</b>					
Property Taxes Levied for:					
General Purposes					4,149,470
Capital Outlay					101,172
Income Taxes					2,124,846
Grants and Entitlements not Restricted to Specific Programs					4,670,788
Investment Earnings					109,730
Miscellaneous					36,098
<i>Total General Revenues</i>					<u>11,192,104</u>
<i>Change in Net Assets</i>					811,898
<i>Net Assets Beginning of Year</i>					<u>4,214,079</u>
<i>Net Assets End of Year</i>					<u>\$ 5,025,977</u>

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

**Loudonville-Perrysville Exempted Village School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2006*

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 1,636,680	\$ 298,021	\$ 1,934,701
Restricted Cash and Cash Equivalents	6,030	0	6,030
Receivables:			
Taxes	5,654,281	110,038	5,764,319
Accounts	2,677	135	2,812
Interfund	22,689	0	22,689
Intergovernmental	0	115,157	115,157
Prepaid Items	10,624	103	10,727
Inventory Held for Resale	0	19,682	19,682
Materials and Supplies Inventory	0	2,045	2,045
<i>Total Assets</i>	<u>\$ 7,332,981</u>	<u>\$ 545,181</u>	<u>\$ 7,878,162</u>
<b>Liabilities</b>			
Accounts Payable	\$ 19,103	\$ 7,299	\$ 26,402
Accrued Wages and Benefits	997,911	95,037	1,092,948
Interfund Payable	0	22,689	22,689
Intergovernmental Payable	262,635	25,742	288,377
Deferred Revenue	4,293,130	124,408	4,417,538
<i>Total Liabilities</i>	<u>5,572,779</u>	<u>275,175</u>	<u>5,847,954</u>
<b>Fund Balances</b>			
Reserved for Encumbrances	55,695	52,753	108,448
Reserved for Prepaid Items	10,624	103	10,727
Reserved for Property Taxes	773,831	17,190	791,021
Reserved for Bus Purchases	6,030	0	6,030
Unreserved, Undesignated, Reported in:			
General Fund	914,022	0	914,022
Special Revenue Funds	0	98,365	98,365
Capital Projects Funds	0	101,595	101,595
<i>Total Fund Balances</i>	<u>1,760,202</u>	<u>270,006</u>	<u>2,030,208</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 7,332,981</u>	<u>\$ 545,181</u>	<u>\$ 7,878,162</u>

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

**Loudonville-Perrysville Exempted Village School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities*  
 June 30, 2006

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<b>Total Governmental Fund Balances</b>	\$	2,030,208
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*Amounts reported for governmental activities in the  
 statement of net assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		3,150,430
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.

Intergovernmental	\$	31,560	
Delinquent Property Taxes		301,405	
Total			332,965

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.

696,040

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Accrued Vacation Payable		(36,920)	
Asbestos Removal Notes Payable		(1,179)	
Capital Leases Payable		(50,890)	
Compensated Absences		(1,094,677)	
Total			(1,183,666)

<i>Net Assets of Governmental Activities</i>	\$	<u>5,025,977</u>
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The accompanying notes are an integral part of the basic financial statements.

**Loudonville-Perrysville Exempted Village School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
**Governmental Funds**  
For the Fiscal Year Ended June 30, 2006

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property Taxes	\$ 4,099,824	\$ 101,327	\$ 4,201,151
Income Taxes	2,124,407	0	2,124,407
Intergovernmental	4,967,029	1,013,898	5,980,927
Interest	109,730	0	109,730
Tuition and Fees	369,046	4,397	373,443
Rent	778	0	778
Extracurricular Activities	0	160,746	160,746
Gifts and Donations	0	86,900	86,900
Customer Sales and Services	0	256,947	256,947
Miscellaneous	16,978	19,120	36,098
<i>Total Revenues</i>	<u>11,687,792</u>	<u>1,643,335</u>	<u>13,331,127</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	4,923,692	251,245	5,174,937
Special	550,316	479,327	1,029,643
Vocational	396,554	0	396,554
Other	651,722	0	651,722
Support Services:			
Pupils	516,630	2,584	519,214
Instructional Staff	577,172	63,171	640,343
Board of Education	24,283	0	24,283
Administration	877,522	13,957	891,479
Fiscal	370,924	0	370,924
Business	8,860	0	8,860
Operation and Maintenance of Plant	965,641	1,232	966,873
Pupil Transportation	796,569	659	797,228
Central	37,209	17,000	54,209
Operation of Non-Instructional Services:			
Food Service Operations	0	527,377	527,377
Community Services	66,171	0	66,171
Extracurricular Activities	243,613	121,331	364,944
Capital Outlay	0	126,098	126,098
Debt Service:			
Principal Retirement	23,971	20,586	44,557
Interest and Fiscal Charges	4,172	0	4,172
<i>Total Expenditures</i>	<u>11,035,021</u>	<u>1,624,567</u>	<u>12,659,588</u>
<i>Excess of Revenues Over Expenditures</i>	<u>652,771</u>	<u>18,768</u>	<u>671,539</u>
<b>Other Financing Sources and Uses</b>			
Transfers In	0	20,589	20,589
Transfers Out	(20,589)	0	(20,589)
<i>Total Other Financing Sources and Uses</i>	<u>(20,589)</u>	<u>20,589</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	632,182	39,357	671,539
<i>Fund Balances Beginning of Year</i>	<u>1,128,020</u>	<u>230,649</u>	<u>1,358,669</u>
<i>Fund Balances End of Year</i>	<u>\$ 1,760,202</u>	<u>\$ 270,006</u>	<u>\$ 2,030,208</u>

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

**Loudonville-Perrysville Exempted Village School District**  
*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, 2006*

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**Net Change in Fund Balances - Total Governmental Funds** \$ 671,539

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

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

Fixed Asset Additions	\$ 365,028	
Current Year Depreciation	(280,958)	
Total		84,070

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (34,716)

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

Grants	26,427	
Income Taxes	439	
Delinquent Property Taxes	49,491	
Total		76,357

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Asbestos Removal Notes Principal	20,586	
Capital Leases Principal	23,971	
Total		44,557

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

Accrued Vacation	(4,835)	
Compensated Absences	(88,708)	
Total		(93,543)

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 related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. 63,634

*Change in Net Assets of Governmental Activities* \$ 811,898

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

**Loudonville-Perrysville Exempted Village School District**

*Statement of Revenues, Expenditures and Changes*

*Budget (Non-GAAP Basis) and Actual*

*General Fund*

*For the Fiscal Year Ended June 30, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$ 3,658,979	\$ 3,658,979	\$ 4,893,339	\$ 1,234,360
Income Taxes	1,428,000	1,428,000	1,434,347	6,347
Intergovernmental	5,901,296	5,901,296	4,967,029	(934,267)
Interest	134,097	134,097	112,867	(21,230)
Tuition and Fees	443,253	443,253	373,079	(70,174)
Rent	924	924	778	(146)
Miscellaneous	18,663	18,663	15,708	(2,955)
<i>Total Revenues</i>	<u>11,585,212</u>	<u>11,585,212</u>	<u>11,797,147</u>	<u>211,935</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	5,074,260	5,023,161	4,991,751	(31,410)
Special	557,170	570,868	548,110	(22,758)
Vocational	402,699	399,603	396,151	(3,452)
Other	694,198	628,625	682,910	54,285
Support Services:				
Pupils	523,308	531,727	514,799	(16,928)
Instructional Staff	587,567	621,445	578,013	(43,432)
Board of Education	26,157	27,072	25,732	(1,340)
Administration	904,059	901,592	889,359	(12,233)
Fiscal	366,147	350,890	360,193	9,303
Business	8,995	11,000	8,849	(2,151)
Operation and Maintenance of Plant	985,464	981,261	969,440	(11,821)
Pupil Transportation	809,866	868,092	796,697	(71,395)
Central	36,762	51,653	36,164	(15,489)
Operation of Non-Instructional Services:				
Food Service Operations	49,382	48,976	48,579	(397)
Extracurricular Activities	266,711	276,828	262,374	(14,454)
Capital Outlay	8,048	8,000	7,917	(83)
<i>Total Expenditures</i>	<u>11,300,793</u>	<u>11,300,793</u>	<u>11,117,038</u>	<u>(183,755)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>284,419</u>	<u>284,419</u>	<u>680,109</u>	<u>395,690</u>
<b>Other Financing Sources and Uses</b>				
Proceeds from Sale of Fixed Assets	200	200	267	67
Refund of Prior Year Expenditures	10,000	10,000	7,240	(2,760)
Advances In	36,431	36,431	36,430	(1)
Advances Out	(10,000)	(10,000)	(22,689)	(12,689)
Transfers Out	(20,588)	(20,588)	(20,589)	(1)
<i>Total Other Financing Sources and Uses</i>	<u>16,043</u>	<u>16,043</u>	<u>659</u>	<u>(15,384)</u>
<i>Net Change in Fund Balance</i>	<u>300,462</u>	<u>300,462</u>	<u>680,768</u>	<u>380,306</u>
<i>Fund Balance Beginning of Year</i>	<u>881,980</u>	<u>881,980</u>	<u>881,980</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>16,754</u>	<u>16,754</u>	<u>16,754</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 1,199,196</u>	<u>\$ 1,199,196</u>	<u>\$ 1,579,502</u>	<u>\$ 380,306</u>

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

**Loudonville-Perrysville Exempted Village School District**

*Statement of Fund Net Assets*

*Proprietary Fund*

*For the Fiscal Year Ended June 30, 2006*

	<u>Governmental Activities - Internal Service Fund</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 906,040</u>
<b>Liabilities</b>	
Claims Payable	<u>210,000</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$ 696,040</u></u>

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



**Loudonville-Perrysville Exempted Village School District**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2006*

	Governmental Activities - Internal Service Fund
<b>Operating Revenues</b>	
Charges for Services	\$ 1,744,373
<b>Operating Expenses</b>	
Purchased Services	395,486
Claims	1,285,253
<i>Total Operating Expenses</i>	1,680,739
<i>Net Change in Net Assets</i>	63,634
<i>Net Assets Beginning of Year</i>	632,406
<i>Net Assets End of Year</i>	\$ 696,040

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

**Loudonville-Perrysville Exempted Village School District**

*Statement of Cash Flows*

*Proprietary Fund*

*For the Fiscal Year Ended June 30, 2006*

	<u>Governmental Activities - Internal Service Fund</u>
<i><b>Increase in Cash and Cash Equivalents</b></i>	
<b>Cash Flows From Operating Activities</b>	
Cash Received from Customers	\$ 1,744,373
Cash Paid for Claims	(1,195,515)
Cash Paid for Services	<u>(395,486)</u>
<i>Net Cash Provided By Operating Activities</i>	<u>153,372</u>
<i>Net Increase in Cash and Cash Equivalents</i>	153,372
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>752,668</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$ 906,040</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided By Operating Activities</b>	
Operating Income	\$ 63,634
Adjustments:	
Increase in Claims Payable	<u>89,738</u>
<i>Net Cash Provided By Operating Activities</i>	<u><u>\$ 153,372</u></u>

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

**Loudonville-Perrysville Exempted Village School District**

*Statement of Fiduciary Assets and Liabilities*

*Agency Fund*

*June 30, 2006*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 19,440
<b>Liabilities</b>	
Accounts Payable	1,710
Due to Students	17,730
<i>Total Liabilities</i>	<u>\$ 19,440</u>

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

**Loudonville-Perrysville Exempted Village School District**

*Notes To The Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2006*

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

The Loudonville-Perrysville Exempted Village School District (the "School District") was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a school district as defined by Section 3311.04 of the Ohio Revised Code. The School District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the School District. Average daily membership as of October 1, 2005, was 1,371. The School District employs 49 certificated and 109 non-certificated employees.

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Loudonville-Perrysville Exempted Village School District, this includes general operations, food service and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to, or can otherwise access, the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provides financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District does not have any component units.

The School District is involved with Tri-County Computer Service Association (TCCSA) and Ashland County-West Holmes Career Center, which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 19.

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

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

***A. Basis of Presentation***

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

**Loudonville-Perrysville Exempted Village School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2006*

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

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

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

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

***B. Fund Accounting***

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

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

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

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

**Loudonville-Perrysville Exempted Village School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2006*

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

***Proprietary Funds*** – Proprietary funds focus on the determination of changes in net assets, financial position and cash flows and are classified as either enterprise or internal service. The School District’s only proprietary fund is an internal service fund.

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

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

***C. Measurement Focus***

***Government-wide Financial Statements*** – The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

***Fund Financial Statements*** – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations 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 the fund are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its internal service fund activity.

***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 and the statements for proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**Loudonville-Perrysville Exempted Village School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2006*

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

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 8). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

***E. Cash, Cash Equivalents, and Investments***

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

During fiscal year 2006, investments were limited to STAROhio.

**Loudonville-Perrysville Exempted Village School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2006*

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

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

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2006.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$109,730, which includes \$21,819 assigned from other School District funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

***F. Prepaids***

Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

***G. Inventory***

Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method, which means that the costs of inventory items are recorded as expenditures in the governmental funds when consumed.

Inventory consists of donated and purchased food held for resale.

***H. 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 buses.



**Loudonville-Perrysville Exempted Village School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2006*

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

***I. Capital Assets***

All capital assets of the School District are classified as general capital assets. These assets generally result from expenditures in the governmental funds. They are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

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

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	10-45 Years
Furniture and Equipment	10 Years
Vehicles	5-10 Years

***J. Interfund Balances***

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

***K. Compensated Absences***

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

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

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

**Loudonville-Perrysville Exempted Village School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2006*

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

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

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

***M. Net Assets***

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

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

***N. Fund Balance Reserves***

The School 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 appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves are established for encumbrances, property taxes, prepaid items and bus purchases.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles, but not available for appropriation under State statute.

***O. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Revenues and expenses not meeting those definitions are reported as non-operating.

**Loudonville-Perrysville Exempted Village School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2006*

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

***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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

***Q. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2006.

***R. Estimates***

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

***S. Budgetary Data***

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 that 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.

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

**Loudonville-Perrysville Exempted Village School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2006*

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**NOTE 3: NEW ACCOUNTING PRINCIPLES**

For the year ended June 30, 2006, the School District has implemented GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, and Statement No. 47, *Accounting for Termination Benefits*.

Statement No. 42 establishes accounting and financial standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries.

Statement No. 46 establishes that any amount of the primary government's net assets at the end of the reporting period restricted by enabling legislation should be disclosed in the notes to the financial statements.

Statement No. 47 provides guidance to governmental employers for measuring, recognizing, and reporting liabilities and expenses/expenditures related to *all* termination benefits without limitation as to the period of time during which the benefits are offered.

The implementation of these GASB statements did not have an effect on the financial statements of the School District.

**NOTE 4: FUND DEFICITS**

Fund balances at June 30, 2006, included the following individual fund deficits:

	<u>Deficit</u>
Nonmajor Funds:	
Food Service	\$ 30,723
Summer Intervention Services	52
Award-Entry Year Teachers	4

The deficit fund balances resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, rather than when accruals occur.

**NOTE 5: BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual, is presented for the general fund on the budgetary basis to provide meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).

**Loudonville-Perrysville Exempted Village School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2006*

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**NOTE 5: BUDGETARY BASIS OF ACCOUNTING (Continued)**

2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

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

	<u>Net Change in Fund Balance</u>
	<u>General</u>
GAAP Basis	\$ 632,182
Net Adjustment for Revenue Accruals	116,862
Advances In	36,430
Net Adjustment for Expenditure Accruals	(18,807)
Advances Out	(22,689)
Adjustment for Encumbrances	<u>(63,210)</u>
Budget Basis	<u>\$ 680,768</u>

**NOTE 6: DEPOSITS AND INVESTMENTS**

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

Active monies are public deposits necessary to meet the demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order 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 which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

**Loudonville-Perrysville Exempted Village School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2006*

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**NOTE 6: DEPOSITS AND INVESTMENTS (Continued)**

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

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

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

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 certificate, upon receipt of confirmation of transfer from the custodian.

**Loudonville-Perrysville Exempted Village School District**  
*Notes To The Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2006

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**NOTE 6: DEPOSITS AND INVESTMENTS (Continued)**

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During 2006, the School District and public depositories complied with the provisions of these statutes.

**Deposits with Financial Institutions**

Custodial credit risk is the risk that, in the event of bank failure, the School District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent 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 collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School District.

At year-end, the carrying amount of the School District's deposits was \$1,067,075. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2006, \$995,452 of the School District's bank balance of \$1,130,358 was exposed to custodial risk as discussed above, while \$134,906 was covered by Federal Deposit Insurance Corporation.

**Investments**

As of June 30, 2006, the School District had the following investment and maturity:

<u>Investment Type</u>	<u>Fair Value</u>	<u>6 Months or Less</u>
STAROhio	<u>\$ 1,799,136</u>	<u>\$ 1,799,136</u>

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

***Credit Risk*** Standard & Poor's has assigned STAROhio an AAA rating.

***Concentration of Credit Risk*** 100% of the School District's investments are in STAROhio.

**NOTE 7: RECEIVABLES**

Receivables at June 30, 2006 consisted of taxes, accounts (rent, student fees and tuition), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of Federal funds. All are expected to be received within one year.

**Loudonville-Perrysville Exempted Village School District**

*Notes To The Basic Financial Statements (Continued)*

*For the Fiscal Year Ended June 30, 2006*

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**NOTE 8: PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid 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 revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2003, were levied after April 1, 2005 and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2005. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Ashland, Holmes, Richland and Knox Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced 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, 2006, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed personal property tax and the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.



**Loudonville-Perrysville Exempted Village School District**  
*Notes To The Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2006

**NOTE 8: PROPERTY TAXES (Continued)**

The amount available as an advance at June 30, 2006, was \$773,831 in the general fund, \$17,190 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2005, was \$867,774 in the general fund and \$26,838 in the permanent improvement capital projects fund.

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

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second-Half Collections		2006 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$ 120,609,180	65.93%	\$ 130,547,020	65.91%
Commercial/Industrial/ Public Utility	23,878,530	13.05%	27,634,550	13.95%
Tangible Personal Property	38,434,157	21.01%	39,877,116	20.13%
Total Assessed Value	<u>\$ 182,921,867</u>	<u>100.00%</u>	<u>\$ 198,058,686</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed value	<u>\$ 41.50</u>		<u>\$ 40.90</u>	

**NOTE 9: INCOME TAX**

The School District levies a voted tax of 1.25% for general operations on the income of residents and 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 of Ohio makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue in the amount of \$2,124,407 was credited to the General Fund.

**Loudonville-Perrysville Exempted Village School District**  
*Notes To The Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2006

**NOTE 10: CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

<i>Capital Assets, not being depreciated:</i>				
Land	\$ 78,472	\$ 0	\$ 0	\$ 78,472
<i>Capital Assets, being depreciated:</i>				
Building and Improvements	5,185,857	63,112	0	5,248,969
Furniture and Equipment	1,678,131	138,766	(59,353)	1,757,544
Vehicles	1,116,485	163,150	(78,260)	1,201,375
<i>Total Capital Assets, being depreciated</i>	<u>7,980,473</u>	<u>365,028</u>	<u>(137,613)</u>	<u>8,207,888</u>
<i>Less Accumulated Depreciation:</i>				
Building and Improvements	(3,509,882)	(93,916)	0	(3,603,798)
Furniture and Equipment	(912,399)	(86,042)	32,463	(965,978)
Vehicles	(535,588)	(101,000)	70,434	(566,154)
<i>Total Accumulated Depreciation</i>	<u>(4,957,869)</u>	<u>(280,958) *</u>	<u>102,897</u>	<u>(5,135,930)</u>
<i>Total Capital Assets being depreciated, net</i>	<u>3,022,604</u>	<u>84,070</u>	<u>(34,716)</u>	<u>3,071,958</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 3,101,076</u>	<u>\$ 84,070</u>	<u>\$ (34,716)</u>	<u>\$ 3,150,430</u>

\*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 103,728
Special	107
Vocational	1,391
Support Services:	
Pupils	1,057
Instructional Staff	3,335
Administration	4,605
Fiscal	252
Operation and Maintenance of Plan	19,100
Pupil Transportation	99,550
Operation of Non-Instructional Services:	
Food Service Operations	1,742
Extracurricular Activities	<u>46,091</u>
Total Depreciation	<u>\$ 280,958</u>

**Loudonville-Perrysville Exempted Village School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2006*

**NOTE 11: LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2006 were as follows:

	Principal Outstanding 06/30/05	Additions	Reductions	Principal Outstanding 06/30/06	Amount Due in One Year
Asbestos Removal Notes, Environmental Protection Agency, 0.00%, due 7/31/06	\$ 21,765	\$ 0	\$ (20,586)	\$ 1,179	\$ 1,179
Capital Leases	74,861	0	(23,971)	50,890	15,652
Compensated Absences	<u>1,005,969</u>	<u>96,456</u>	<u>(7,748)</u>	<u>1,094,677</u>	<u>0</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 1,102,595</u>	<u>\$ 96,456</u>	<u>\$ (52,305)</u>	<u>\$ 1,146,746</u>	<u>\$ 16,831</u>

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

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

Principal requirements to retire long-term obligations outstanding at June 30, 2006 are as follows:

Asbestos Removal Notes

Fiscal Year Ending June 30,	Principal
2007	<u>\$ 1,179</u>

**NOTE 12: CAPITALIZED LEASES**

The School District entered into lease agreements for copy machines. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service in the basic financial statements for the government funds.

**Loudonville-Perrysville Exempted Village School District**  
*Notes To The Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2006

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**NOTE 12: CAPITALIZED LEASES (Continued)**

These assets have been capitalized in the governmental capital assets in the amount of \$80,197, the present value of the minimum lease payments at the inception of each lease. A corresponding liability was recorded in the statement of net assets and is reduced for each required principal payment. The amortization schedule is based upon the repayment of the entire authorized amount of the lease.

The following is a schedule of the future long term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2006:

Fiscal Year <u>Ending June 30,</u>	<u>Amount</u>
2007	\$ 18,831
2008	17,764
2009	13,167
2010	<u>7,346</u>
Total Minimum Lease Payments	57,108
Less: Amounts Representing Interest	<u>6,218</u>
 Present Value of Net Minimum Lease Payments	 <u>\$ 50,890</u>

**NOTE 13: DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling (614) 222-5853. It is also posted on SERS website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with remainder being used to fund health care benefits; for fiscal year 2006, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005 and 2004 were \$198,072, \$220,416 and \$221,916, respectively; 53 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

**Loudonville-Perrysville Exempted Village School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2006*

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**NOTE 13: DEFINED BENEFIT PENSION PLANS (Continued)**

***B. State Teachers Retirement System***

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

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

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

For the fiscal year ended June 30, 2006, plan members are required to contribute 10 percent of their annual covered salary and the School District is 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 recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2006, 2005 and 2004 were \$776,136, \$755,328 and \$712,644, respectively; 83 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

**Loudonville-Perrysville Exempted Village School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2006*

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**NOTE 13: DEFINED BENEFIT PENSION PLANS (Continued)**

***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2006, all members of the Board of Education have elected social security. The Board's liability is 6.2% of wages paid.

**NOTE 14: POSTEMPLOYMENT BENEFITS**

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

Retirees who participated in the DC or Combined Plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$55,438 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the fund was \$3.3 billion. For the year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.43 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$27,400. For the School District, the amount to fund health care benefits, including surcharge, during the 2006 fiscal year equaled \$75,786.

**Loudonville-Perrysville Exempted Village School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2006*

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**NOTE 14: POSTEMPLOYMENT BENEFITS (Continued)**

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for the maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Net expenses for health care for the fiscal year ended June 30, 2005 (the latest information available), were \$178,221,113. At June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168 percent of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient in the long-term to provide for a health care reserve equal to at least 150 percent of the estimated annual net claim cost. SERS has approximately 58,123 participants currently receiving health care benefits.

**NOTE 15: INTERUND TRANSACTIONS**

***A. Interfund Transfers***

During fiscal year 2006, the general fund transferred \$20,589 to the bond retirement debt service fund to pay the asbestos removal note principal payments.

***B. Interfund Balances***

At June 30, 2006 receivables and payables that resulted from various interfund transactions were as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 22,689	\$ 0
Other Governmental Funds:		
Other Grants	0	22,689
Total All Funds	\$ 22,689	\$ 22,689

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; therefore, no internal balances at June 30, 2006 are reported on the statement of net assets.

**Loudonville-Perrysville Exempted Village School District**  
*Notes To The Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2006

**NOTE 16: STATUTORY RESERVES**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward to be used for the same purposes in future years.

The following cash basis information describes the changes in the year-end set-aside amounts for textbooks and capital acquisitions. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Totals</u>
Set-Aside Reserve Balance as of June 30, 2005	\$ 0	\$ 0	\$ 0
Current Year Set-Aside Requirement	188,488	188,488	376,976
Balance Carried over from Prior Year	(106,324)	0	(106,324)
Current Year Offsets	0	(125,052)	(125,052)
Qualifying Disbursements	<u>(414,866)</u>	<u>(181,373)</u>	<u>(596,239)</u>
Totals	<u>\$ (332,702)</u>	<u>\$ (117,937)</u>	<u>\$ (450,639)</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>\$ (332,702)</u>	<u>\$ 0</u>	
Set-Aside Reserve Balance as of June 30, 2006	<u>\$ 0</u>	<u>\$ 0</u>	

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirement in future years. Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years.

**NOTE 17: RISK MANAGEMENT**

**A. *General Insurance***

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The School District has a comprehensive property and casualty policy, limit is \$35,910,198 aggregate. The deductible is \$1,000 per incident on property and \$1,000 per incident on equipment. The School District's vehicle insurance policy limit is \$2,000,000 liability/property and \$5,000 medical with a \$500 collision deductible. All board members, administrators, and employees are covered under a school district liability policy. The limits of this coverage are \$2,000,000 per occurrence and \$4,000,000 per aggregate. Settlements have not exceeded coverage in any of the last three years. There has not been a significant reduction in coverage from the prior year.



**Loudonville-Perrysville Exempted Village School District**  
*Notes To The Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2006

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**NOTE 17: RISK MANAGEMENT (Continued)**

***B. Fidelity Bond***

The Board President and Superintendent have a \$35,000 position bond. The Treasurer is covered under a surety bond in the amount of \$75,000. All other school employees who are responsible for handling funds are covered by a \$25,000 fidelity bond.

***C. Workers' Compensation***

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

***D. Employee Health Insurance***

The School District is self insured for its medical, dental and vision insurance programs, providing our classified staff with one medical plan and offering our certified staff a choice between two plans. 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 aggregate stop-loss factors are:

	Single	Family
Certified Plan 1	\$ 282.85	\$ 695.47
Certified Plan 2	224.69	551.87
Classified Plan 3	259.62	638.34

The liability for unpaid claims cost of \$210,000 reported in the internal service fund at June 30, 2006 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in the fund's claims liability amount in fiscal years 2006 and 2005 were:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance End of Year
2006	\$ <u>120,262</u>	\$ <u>1,285,253</u>	\$ <u>1,195,515</u>	\$ <u>210,000</u>
2005	\$ <u>131,161</u>	\$ <u>876,563</u>	\$ <u>887,462</u>	\$ <u>120,262</u>

**Loudonville-Perrysville Exempted Village School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2006*

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**NOTE 18: RELATED ORGANIZATION**

The Loudonville Public Library (the “Library”) is a related organization to the School District. The school board members are responsible for appointing all the trustees of the Library; however, the school board cannot influence the Library’s operation, nor does the Library represent a potential financial benefit or burden to the School District. The School District serves in a ministerial capacity as the taxing authority for the Library. Once the Library determines to present a levy to the voters, including the determination of the rate and duration, the School District must place the levy on the ballot. The Library may not issue debt and determines its own budget. The Library did not receive any funding from the School District during fiscal year 2006.

**NOTE 19: JOINTLY GOVERNED ORGANIZATIONS**

***A. Tri-County Computer Service Association***

The Tri-County Computer Services Association (TCCSA) is a jointly governed organization comprised of 20 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member school districts. Each of the governments of these school districts support TCCSA based on a per pupil charge dependent upon the software package utilized. The TCCSA assembly consists of a superintendent or designated representative from each participating school district and a representative from the fiscal agent. TCCSA is governed by a board of directors chosen from the general membership of the TCCSA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating school districts are located. Financial information can be obtained by contacting the Treasurer at Ashland-Wayne Education Services Center, which serves as fiscal agent, located in Wooster, Ohio. During the year ended June 30, 2006, the School District paid approximately \$104,097 to TCCSA for basic service charges.

***B. 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 State of Ohio. The continued existence of the Career Center is not dependent on the School District’s continued participation and no measurable equity interest exists.

**Loudonville-Perrysville Exempted Village School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2006*

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**NOTE 20: CONTINGENCIES**

***A. Grants***

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the School District at June 30, 2006.

***B. Litigation***

Prior to June 30, 2006, Columbia Gas Transmission Corporation (CGT) filed an appeal with the State of Ohio Department of Taxation Public Utility Tax Division seeking a reduction in their public utility tangible personal property tax rate assessment from 88 percent to 25 percent. CTG won at the Ohio Board of Tax Appeals, and the State has appealed to the Ohio Supreme Court. The School District's maximum liability is approximately \$489,490, which represents refunds of taxes paid for tax years 2001 through 2005. However, the School District is currently unable to predict the ultimate effect of this litigation on its financial position or results of operations.

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

December 4, 2006

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Loudonville-Perrysville Exempted Village School District (the "School District") as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 4, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated December 4, 2006.

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

*Rea & Associates, Inc.*

December 4, 2006

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

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

Compliance

We have audited the compliance of the Loudonville-Perrysville Exempted Village School District (the "School District") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

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

Loudonville-Perrysville Exempted Village School District  
Independent Auditor's Report On Compliance With Requirements  
Applicable To Each Major Program And Internal Control Over  
Compliance In Accordance With OMB Circular A-133  
December 4, 2006  
Page 2

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

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

*Hea & Associates, Inc.*

LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
 ASHLAND COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Grantor Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	84.010	C1-S1 - 2005 C1-S1 - 2006	\$ 37,470 217,506		\$ 49,170 210,473	
Total Title I Grants to Local Educational Agencies			<u>254,976</u>		<u>259,643</u>	
Special Education - Grants to States	84.027	6B-SF - 2005 6B-SF - 2006	30,576 260,343		37,419 253,947	
Total Special Education - Grants to States			<u>290,919</u>		<u>291,366</u>	
Safe and Drug Free Schools and Communities State Grants	84.186	DR-S1 - 2005 DR-S1 - 2006	(829) 8,346		87 3,133	
Total Safe and Drug Free Schools and Communities State Grants			<u>7,517</u>		<u>3,220</u>	
Education Technology State Grants (Title II-D)	84.318	TJ-S1 - 2005 TJ-S1 - 2006	(974) 5,321		1,459 4,942	
Total Education Technology State Grants			<u>4,347</u>		<u>6,401</u>	
Title V Grant	84.151	2005 2006	(740) 1,101		0 0	
Total Title V Grant			<u>361</u>		<u>0</u>	
Title II A	84.340	2005 2006	9,486 49,063		7,968 44,906	
Total Title II A			<u>58,549</u>		<u>52,874</u>	
Hurricane Education Recovery	84.938	2006	<u>3,000</u>		<u>3,000</u>	
Total U. S. Department of Education			<u>619,669</u>		<u>616,504</u>	
<b><u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>						
<i>Passed through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program - Community Alternative Funding System (CAFS)	93.778	FY 2005	<u>28,310</u>		<u>28,310</u>	
Total U.S. Department of Health and Human Services			<u>28,310</u>		<u>28,310</u>	
<b><u>U. S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed through Ohio Department of Education:</i>						
Food Distribution Program	10.550	N/A		\$ 58,420		\$ 58,420
Child Nutrition Cluster: School Breakfast Program	10.553	05-PU - 2006	20,263		20,263	
National School Lunch Program	10.555	LL-P4 - 2006	<u>139,432</u>		<u>139,432</u>	
Total Child Nutrition Cluster			<u>159,695</u>		<u>159,695</u>	
Total U.S. Department of Agriculture			<u>159,695</u>	<u>58,420</u>	<u>159,695</u>	<u>58,420</u>
			<u>\$ 807,673</u>	<u>\$ 58,420</u>	<u>\$ 804,509</u>	<u>\$ 58,420</u>
Total Federal Financial Assistance						

See accompanying notes to the schedule of expenditures of federal awards

LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2006

NOTE A: SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards 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: NUTRITION CLUSTER

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

Food Distribution Program nonmonetary assistance is not part of the Nutrition Cluster; however, it is reported in the schedule of expenditures of federal awards at the fair market value of the commodities received and disbursed. At June 30, 2006, the School District had no significant food commodities inventory.



LOUDONVILLE-PERRYSVILLE EXEMPTED VILLAGE SCHOOL DISTRICT  
ASHLAND COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2006

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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A-133 Ref.  
.505(d)

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any reportable conditions reported for major programs which were not considered to be material?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510(a) of Circular A-133?	No
(d) (1) (vii)	Major Programs (list): Title I	CFDA # 84.010
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>NONE</b>	
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<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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<b>NONE</b>	
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**Mary Taylor, CPA**  
Auditor of State

**LOUDONVILLE-PERRYVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

**ASHLAND COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 20, 2007**